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US shutdown adds to IPO woes: SEC closure creates another bottleneck for ECM pipeline

BNP Paribas raises US$2.6bn from two-part Yankee callable but pays for the privilege

US$33.5bn Bristol-Myers bridge loan provides strong start for US M&A lending

PLUS: 2018 YEARLY TABLES

Upfront

IPO interference

Asia's equity underwriters are caught between a rock and a hard place. After a dismal end to 2018, the pressure is on to reopen markets. The right approach, however, seems to be open to debate.

Equity issuance in Asia-Pacific, ex-Japan, plunged more than 50% in the final quarter of last year, taking the sheen off an otherwise encouraging year.

Some IPO hopefuls have defected from Hong Kong to New York, where markets remain open for business even amid intense volatility (assuming the federal government shut-down comes to an end). Most of South-East Asia is closed for new listings, with Indonesia, Malaysia and Singapore all dormant for months. India hasn't hosted a mainboard IPO since September.

The solution, according to India's securities regulator, is for bankers to bring deals to market at a lower price. That would certainly get investors' attention, but it would also pose different problems – especially in India's state sector, where officials are understandably worried about selling public assets too cheap.

There's also the counter-argument. In Australia, the head of the securities commission has complained that IPOs and share placements give investors too sweet a deal. After studying 500 ECM deals over four years, ASIC found IPOs returned an average first-day gain of 11.6% and placement shares 5.4%.

ECM bankers can expect their approach to pricing to come under more scrutiny in 2019

This line of enquiry is especially worrying. All things being equal, a zero discount on a share placement will hurt issuers' chances of funding expansion, and the risks around a company with no track record should also command a bigger discount for IPO investors.

Average US first-day returns last year were 15.5%, according to Refinitiv data, suggesting that Aussie IPOs are in fact far more efficient than new listings in the world's biggest capital market.

With one regulator demanding discounts and another arguing against them, ECM bankers can expect their approach to pricing to come under more scrutiny in 2019.

More regulatory interference, however, would be a step backwards: asking underwriters to justify prices may be reasonable, but authorities must allow market forces to determine the price of capital.

Hostage situation

After eight long months, the US Treasury has finally struck a deal with Oleg Deripaska (or at least those doing his bidding) that will see onerous sanctions on two of his companies – power generator EN+ and aluminium producer Rusal – lifted.

While Washington has indeed extracted its pound of flesh from the Russian oligarch (who will reduce his stake in EN+ to 45% from 70%), Deripaska will be happy with the outcome. His companies had been threatened with collapse by the sanctions; they can now resume business as normal.

The US Treasury has tried hard to frame the deal as a major loss for Deripaska, but it is the US sanctions regime that has come off looking weakest. Deripaska continues to be the biggest shareholder in the companies; the reduction in his stake has come through a debt-for-equity swap that reduces his liabilities.

When these sanctions were first introduced last April, they were supposed to be a tough new level of punishment. For the first time, existing shareholders and bondholders in sanctioned companies were hit (as opposed to previous sanctions that just prohibited future issuance).

But US policymakers failed to understand that, over the past decade or so, Russian oligarchs have been careful to integrate their businesses into the global financial system. EN+ was listed in London only months before the sanctions came into effect, while Rusal has been listed in Hong Kong for years.

That means that hitting those companies risked hitting innocent investors. Overnight, pension funds, insurance companies and many others found themselves hurt by the sanctions – something that looks to have convinced the US authorities to reverse their actions.

EN+ and Rusal are far from unique. Even Russian state-owned companies are intricately linked to global financial markets, with shareholders and bondholders spread far and wide across the globe.

Ironically, it was the US that encouraged Russia and its oligarchs to integrate with the global financial system. But that integration now leaves the US restricted in how much it can punish those companies.

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Shutdown adds to US IPO woes

■ **Equities** SEC closure creates another bottleneck for first-quarter IPO pipeline

BY ANTHONY HUGHES

The US government shutdown is creating another complication for US IPO candidates already negotiating treacherous market conditions, potentially causing delays that could ripple through the 2019 deal backlog.

During the shutdown, which has now run for two weeks, the US Securities and Exchange Commission is accepting IPO filings but is not able to provide timely comments or declare registration statements "effective".

Statements becoming effective is typically one of the final steps before a company's shares can begin trading.

With issuers already contending with tumbling market valuations and the poor performance of several large IPOs in December, the shutdown increases the likelihood that the US ECM market will start the new year with limited deal-making.

December saw US markets welcome Tencent Music Entertainment and Moderna, which broke the record for the largest biotech IPO. Tencent is slightly below its IPO price, but Moderna has fallen by a third since raising US$600m. US IPOs through 2018 delivered an average return of just 0.3%.

Delays in January could also have a knock-on effect for those looking at February and March timelines.

"The government shutdown may very well lead to a slower than usual start to the IPO market this year," said Glenn Pollner, a partner specialising in IPOs and other capital markets transactions at law firm Gibson Dunn.

"The SEC is operating essentially with a skeletal staff right now.

"Things like getting registration statements declared effective and clearing SEC comments for filings that have been made are generally not going to be happening while the shutdown remains in effect."

Notwithstanding market conditions, US ECM bankers will still be able to bring follow-on offerings from large well-known companies and companies whose shelf registration statements are already effective.

But IPO aspirants, including companies like REVOLVE, VIRGIN TRAINS USA and BEYOND MEAT that delayed going public in late 2018 amid brutal market volatility, may have to wait even longer on the sidelines.

There are also a handful of companies (mainly biotechs) that filed publicly in late December in anticipation of launching and pricing their IPOs in January. They also remain in limbo until the shutdown ends.

Last year saw 20 IPOs price in the first month of the year.

Yet a quiet January is not unprecedented, with 2009 and 2016 both starting with no IPOs in the first month of the year.

DELAYS

Companies in confidential filing and therefore at an earlier stage in the lengthy IPO process, mostly notably ride-sharing rivals Uber and Lyft, are also facing delays in getting SEC feedback on their registration statements.

Pollner warned that companies in confidential filing that were yet to receive comments from the SEC (which they typically get 27-30 days after filing) or otherwise still undergoing SEC review may

BNPP pays up for callable Yankee

■ **Bonds** French bank opens Yankee market but pays for the privilege

BY WILLIAM HOFFMAN

BNP PARIBAS sold the first US dollar bond deal of the year from a Yankee financial borrower on Thursday, but the French issuer paid a hefty premium amid market volatility.

The self-led deal, also the first ever callable holdco or senior non-preferred issue from a eurozone bank, was widely viewed as a litmus test for other European banks and the broader investment-grade market following a dearth of issuance.

"The backdrop is a bit challenging," one banker close to the deal said.

"There are a lot of issuers looking to do either holdco or senior non-preferred, and this deal is definitely a test given the drought in issuance that we've had."

US markets opened up slightly weaker following a revenue warning from Apple, and worsened after weak US manufacturing data.

The Dow Jones Industrial Average on Thursday fell 2.8% after the biggest drop in more than a decade in the ISM US manufacturing index, and cash bond spreads also widened.

Callable bonds typically fetch a higher new issue concession, but the tough conditions meant BNP Paribas was unable to significantly lower the cost of borrowing on the US$2.6bn two-part trade through the marketing process.

It first offered investors a new issue concession of about 40bp on the six-year non-call five tranche and 45bp–50bp on the 11-year non-call 10, based on respective initial price thoughts of Treasuries plus 240bp area and 265bp–270bp, and fair value estimates of around 200bp and 220bp.

But the final spreads barely changed, with the US$1.7bn 6NC5 launched at plus 235bp and the US$900m 11NC10 at 265bp. Final books were US$3.8bn in total, with almost two-thirds of that demand for the shorter tranche.

"No matter how you slice it, this BNP deal looks quite wide," one banker said.

MORE TO COME

The pulled callable Tier 2 bond issue from ING Group in early December has also weighed on sentiment.

"When ING had to pull its deal, that sent a chill through the Yankee bank funding market," Jason Shoup, head of global credit strategy for Legal and General Investment Management America, told IFR.

"Yankee banks, on the back of that experience, are going to be willing to pay healthy concessions because they see that it's not something you can really push the envelope on much before the whole book falls apart."

Jon Duensing, director of investment-grade corporates at fund manager Amundi Pioneer,

have their IPO plans delayed because of the additional time needed to clear the review process.

"If [the shutdown] ends quickly, given we have been in a holiday period when offering activity tends to be light, the effect may not be that great," he said.

"But the longer it goes on the greater the effect on offerings looking to come to market and on the SEC clearing the backlog when operations resume."

President Donald Trump has said the shutdown could last for "a very long time", though negotiations between Congressional Democrats and the White House on ending the impasse continue.

The current shutdown, which began on December 21, has already run longer than most. The average length of US government shutdowns since 1990 is nine days.

Lawyers have been examining ways for companies to sell stock if the shutdown continues for an extended period, although it's not clear whether or how this will be possible.

"Market conditions are rendering this a little bit moot but one thing that may happen if the shutdown extends much longer is that it creates a backlog to work through and it may result in delays for those looking to go public further out," one senior ECM banker said.

The shutdown could also be problematic for companies with pending M&A deals, said Era Anagnosti, a partner at law firm White & Case who is also a former SEC staffer.

"The impact will be much more than meets the eye," Anagnosti said. "I really hope the shutdown comes to an end sooner rather than later."

The early-year IPO window is already tight because issuers must thread the Martin Luther King Jr holiday on January 21 and the Valentines Day staleness deadline, beyond which companies can no longer rely on third quarter numbers and must use fourth quarter numbers in their prospectuses. ■

told IFR that new issue concessions are likely to remain elevated in what is expected to be a busy month for financial bond issuance.

"We're going to see issuers and investors being much more cautious with more price discovery, and an expectation that any new issues that come to market will have to come with more than the normal new issue concession," said Duensing.

"Some issuers may be willing to wait it out and see if risk appetite stabilises."

CHIPPING AWAY

Still, with this deal, BNP Paribas has chipped away at the €14bn of senior non-preferred debt it needs to raise in 2019. And it shows that the market is open to issuers, albeit at wider spreads.

Prior to this trade, such callable structures have largely been sold by Swiss, UK and US banks.

US banks pioneered the use of senior callables in 2016 as a way of addressing the reduction in regulatory value as total loss-absorbing capacity (TLAC) bonds approach maturity.

The call allows issuers to redeem bonds early, saving interest payments on debt that provides no regulatory benefit.

A lack of regulatory clarity meant that other European lenders had not used the structure, but a decree passed by the French government last year helped remove some of that uncertainty.

It defined what constitutes a non-structured note, and clarified that callable senior non-preferred is such an instrument.

The premium for the call feature has generally varied from 5bp to 15bp. The banker close to the BNP Paribas deal said the premium for the call feature on Thursday's deal was about 10bp. ■

Strong start for US M&A lending

■ Loans Scene set for further pharma deals

BY LYNN ADLER

Morgan Stanley and *MUFG* are providing a US$33.5bn fully underwritten bridge loan to help finance BRISTOL-MYERS SQUIBB's US$74bn purchase of Celgene Corp, which is the biggest healthcare transaction ever, according to Refinitiv data.

The deal is the sixth largest US bridge loan on record, and the second largest in the US healthcare sector, following a US$35.6bn bridge facility that financed Actavis's acquisition of Allergan in 2014.

The massive tie-up gets US investment grade M&A activity off to a good start after a record 2018 despite a slowdown in the past six months as turbulent credit markets were rattled by trade wars, rising interest rates and a potential economic slowdown.

It also sets the scene for further dealmaking in the pharma sector. While it may be too soon to suggest that this pace will continue throughout the year, banks remain eager to lend.

"Deals are getting done despite the market volatility, but it's too soon to say this is indicative of what to expect for the full year. We're watching whether the market fundamentals will continue to be as good as in 2018," a senior banker said.

The pace could, however, be tempered by wide stock market swings that alter valuations as the markets grapple with mounting macroeconomic and geopolitical concerns.

A revenue warning from tech titan Apple and a report showing that US factory activity slid to a two-year low in December drove US stock prices significantly lower last Thursday.

"The Bristol-Myers deal comes at a time where the ground doesn't feel stable," a second senior banker said.

CONFIDENT

Lenders to investment grade companies appear to be more confident than lenders issuing leveraged loans to highly indebted companies, and are hoping to extend last year's pace.

A record just above US$1trn of US investment grade loans were syndicated last year, including an all-time high of US$235bn for M&A deals.

"I'm still optimistic about 2019, though cautiously optimistic. "The [investment grade loan] market has proven to be way more resilient than other markets," the first banker said.

Arranging the Bristol-Myers loan will earn the lead banks between US$100m and US$170m in upfront fees, according to Freeman Consulting Services, as lenders bank on blue chip companies maintaining access to the bond markets.

"I don't think people are worried at the moment that the high-grade bond market will not be functioning," the second senior banker said.

Bristol-Myers is rated A2 by Moody's, A+ by S&P and A– by Fitch. Moody's is expecting a potential one-notch downgrade, citing "higher financial leverage resulting from the acquisition, as well as pipeline execution risk and integration risks".

About US$45bn of free cashflow is expected in the first three years of the combined company, according to a presentation. (For deal details, see the Loan section.)

Morgan Stanley and MUFG declined to comment.

Additional reporting by Michelle Sierra ■

Lack of conviction undermines credit markets, as 2019 starts slowly

Bonds **New year starts just like old one ends, with healthy concessions required**

BY SUDIP ROY

Bond syndicates are bracing themselves for a slow start to the year as a sense of gloom lingers over financial markets.

Bar those sectors that traditionally see borrowers hit screens in January - such as SSA and covered bonds - it's far from clear as to how much issuance there will be this month.

And while it's dangerous to read too much into new year trading activity, the early signs are that volatility will continue to hold sway over credit markets.

"There's not a huge amount of conviction," said one DCM banker. "It doesn't feel too good."

One syndicate official in London covering the financials sector said conditions look "exactly the same" as late 2018, when macro and geopolitical risk thwarted euro benchmark issuance throughout December.

"Every year we're guilty of looking into the next year as a panacea of great issuance conditions, and frankly it doesn't work like that," he said.

Weak business survey data out of China and Europe last week added to worries about the outlook for global growth. This was underlined by the rally in government bonds, with the 10-year Bund trading at its lowest yield since November 2016 and the 10-year Treasury yield hitting a near 12-month low.

Just three months ago Treasuries were trading at 3.25%; last week they were at 2.57%, reflecting the weakness in overall risk sentiment.

Some bankers say it's important not to be too pessimistic. "Investors won't be able to sit on their hands for too long - they're not paid to - and will need to get money to work, which will see some difficult investment decisions needing to be made," said Armin Peter, global head of debt syndicate at UBS.

This will be particularly pertinent in Europe as euro credit markets face their largest funding requirement in a decade, according to Hans Lorenzen, head of European credit strategy at Citigroup.

Redemptions across investment-grade corporates, investment-grade senior financials, subordinated financials and high-yield corporates total €427bn. Against that the US bank forecasts gross issuance of €622bn, with senior financials leading the way with €265bn followed by investment-grade corporates at €230bn.

However, with the ECB no longer buying in the primary market - an issue for corporates and banks issuing covered bonds - new sources of demand will be needed.

Lorenzen said in a research piece last week that sources of new money exist, whether they be deposits, bank treasury desks, ALM investors or overseas accounts.

"But to tempt them in, risk appetite needs to be strong or euro credit needs to be overtly cheap. While corporate fundamentals remain sound at a time where incoming data is challenging the benign macro consensus, spreads close to fair value aren't enough," he said.

FURTHER WIDENING?

Credit markets repriced last year but further widening is likely. Lorenzen forecasts, for example, another 30bp of widening for investment-grade cash spreads this year.

And as some of last week's deals showed, investors are already demanding elevated concessions. COMMERZBANK, for example, paid a 7bp premium for a dual-tranche Pfandbrief, while ABN AMRO offered a 10bp concession for a 15-year covered.

Carige confronts capital obstacle

People & Markets **European Central Bank intervenes after shareholders block plan**

BY CHRISTOPHER SPINK

BANCA CARIGE's plans to fill a €400m capital hole remained unresolved after the European Central Bank stepped in last Wednesday to appoint temporary administrators to manage the ailing Italian lender.

"The same questions remain as before: regulators are still trying to find a provider of capital or carry out a merger," said one banking analyst.

UBS is advising the bank on its options, which could also include support from the Italian treasury possibly via buying bad loans from the bank.

The ECB intervened after Carige's biggest shareholder, the Malacalza family, declined to back the Genovese institution's latest €400m equity capital raise at a shareholders' meeting on December 22. They had previously backed earlier equity issues, giving them a 27.5% stake.

The new money had been earmarked to repay some or all of the €320m of convertible bonds issued to Italy's deposit guarantee fund at the end of November. The bonds carry a punitive coupon – initially of 13% but now stepped up to 16% after the equity issue was postponed.

This was the first time the ECB has stepped in to change the management of a bank under its supervision without further rescue measures since it took on responsibility for supervising the eurozone's major banks at the end of 2014.

"The decision to impose temporary administration is an early intervention measure aimed at ensuring continuity and pursuing the objectives of a strategic plan," said the ECB.

"Temporary administrators are tasked with safeguarding the stability of a bank by closely monitoring its situation, continuously informing the ECB and, if necessary, taking action to ensure that the bank restores compliance with capital requirements in a sustainable manner."

ADMINISTRATORS

Two of the three administrators – Pietro Modiano and Fabio Innocenzi – had until very recently been board directors of the bank, being chairman and chief executive respectively. The third, Raffaele Lener, is a lawyer who had worked at the Bank of Italy and market regulator Consob.

Carige is the last major Italian bank still seeking a comprehensive solution to its capital shortfall stemming from bad loans that emerged after the 2008 financial crisis. Monte dei Paschi di Siena and the two Venetian banks all received government support for their plans.

Some reckon the most likely plan will replicate the rescue of Veneto Banca and Banca Popolare di Vicenza, which saw the country's largest bank Intesa Sanpaolo take over their

Healthy concessions are also likely to be needed to access the US dollar market. "A lot of companies are going to argue it makes sense to pay the concessions to come sooner rather than later in these choppy markets and avoid the possibility of much worse conditions six months to a year later. It's causing a lot of uncertainty in credit spreads," said Jason Shoup, head of global credit strategy for Legal and General Investment Management America.

That uncertainty is reflected in US high-grade issuance forecasts for January, which range from US$119bn to US$160bn, much of it bank issuance.

"The market is struggling to figure out where pricing clears," said Matt Minnetian, a portfolio manager at AllianceBernstein.

"There is a lot of discussion that issuance will be in excess of US$100bn this month, but most of that is expected to be bank issuance. But bank issuance won't really give us a good indication of where the market is. What people want to see is a large industrial trade."

NET SUPPLY

Overall supply for the US high-grade market this year is again expected to hit the US$1trn mark, though with US$650bn of redemptions due in 2019, anticipated net supply of US$400bn would represent a 17% fall on 2017 levels, according to Daniel Sorid, head of US investment-grade credit strategy at Citigroup in a research note last week.

Even in gross terms, supply for 2019 is likely to be about 5% below 2018 volumes. Lighter issuance, however, won't necessarily help steady credit spreads.

"Investment-grade issuance declined to the lowest level as a percent of market size in 2018 yet spreads widened 60bp," said Sorid.

One area to keep an eye on will be the Triple B market, which has ballooned to about US$3trn. "People are worried about the size of the Triple B market. If we get some downgrades there could be significant dislocation in high yield," said Kris Kowal, managing director, fixed income investments, at fund manager DuPont Capital.

Additional reporting by Alice Gledhill, William Hoffman, Natalie Harrison and David Bell ■

performing assets and senior liabilities backed by €5bn of Italian treasury support and guarantees.

"Carige will most likely be given free to somebody," said one senior executive at an Italian bank. "A major bank could buy the assets and make use of the tax losses to create synergies and generate a profit. It's hard to see how else it will be acquired."

A credit analyst agreed. "If the shareholders cannot be convinced to pay into the capital increase, the administrators may look at converting the bond they recently issued to the FTID [deposit guarantee fund] and perhaps sell the bank to a stronger institution," he said.

One stumbling block is that other banks will want to receive similar sweeteners to those garnered by Intesa Sanpaolo in 2017 when it helped rescue the Venetian banks. However, Carige is in a better state making politicians less willing to step in with emergency aid.

"The bank is not in bad shape," said the executive. "People have known about it for some time and it is not facing liquidity difficulties."

With the ECB now involved too, the Italian government might think twice before stumping up funds to help another bank take over Carige. "I don't think a potential buyer could benefit from a sweetener from this government – it would be politically unpalatable," said the credit analyst.

Carige shares have been suspended since the ECB stepped in. At the last traded stock price of €0.0015, the bank has a market capitalisation of €84m. It declined to comment on its potential capital raising plans. ■

Ex-CS bankers arrested over Mozambique loans

■ **People & Markets** **Former finance minister also arrested**

BY BRENDAN PIERSON

Three former Credit Suisse bankers were arrested in London on Thursday on US charges that they took part in a fraud scheme involving US$2bn in loans to state-owned companies in Mozambique, a spokesman for US prosecutors said.

Andrew Pearse, 49; Surjan Singh, 44; and Detelina Subeva, 37 were charged in an indictment in Brooklyn, New York federal court with conspiring to violate US anti-bribery law and to commit money laundering and securities fraud, according to spokesman John Marzulli. They have been released on bail in London while the United States seeks extradition.

The arrests came five days after former Mozambique finance minister Manuel Chang was arrested in South Africa as part of the same criminal case.

A fifth man, Jean Boustani, was arrested on Wednesday at New York's JFK airport, Marzulli said. Boustani was a Lebanese citizen who worked for an Abu Dhabi-based contractor of the Mozambican companies, according to the indictment.

Lawyers for the defendants could not immediately be reached for comment.

"The indictment alleges that the former employees worked to defeat the bank's internal controls, acted out of a motive of personal profit, and sought to hide these activities from the bank," Credit Suisse said in a statement. It said the bank will continue to cooperate with authorities.

According to the indictment, between 2013 and 2016 three Mozambican state-owned companies borrowed more than US$2bn through loans guaranteed by the government and arranged by Credit Suisse and another investment bank, which was not named. (IFR reported at the time that Russian bank VTB was involved in the deals.)

Chang, 63, signed off on the guarantees as finance minister, but did not disclose them. When the guarantees were revealed in 2016, foreign donors including the International Monetary Fund cut off support for Mozambique, plunging the southern African country into a debt crisis that still plagues it two years later.

"The indictment alleges that the former employees worked to defeat the bank's internal controls, acted out of a motive of personal profit, and sought to hide these activities from the bank"

According to the indictment, the three state-owned companies were created to undertake maritime projects, but were really "fronts" for Chang, Boustani and the three bankers to enrich themselves.

Prosecutors said at least US$200m was diverted to the defendants and other Mozambican government officials. They said the defendants concealed the misuse of the funds and misled investors abroad including in the United States about Mozambique's creditworthiness.

The companies missed more than US$700m in loan payments after defaulting in 2016 and 2017, the indictment said. ■

Canadians stand out in brave new world for covereds

Bonds Non-European issuers offer the best value for investors

BY TOM REVELL

Trailblazers in the already energetic 2019 covered market have provided early evidence of which issuers will win the best demand in the post-QE era, while others found that pricing transparency pays.

In the first three trading days of the year, seven issuers printed €6.5bn of covered bonds.

January is typically the busiest time of the year in euro covereds. In past years, issuers have capitalised on bountiful new year liquidity and the impact of the ECB's insatiable covered bond purchase programme (aka CBPP3).

This January is different, though, as the ECB QE era has ended and spreads consequently widened significantly in 2018, meaning issuers must settle for less.

In this context, BANK OF MONTREAL and BANK OF NOVA SCOTIA stood out with the week's biggest deals, printing €1.25bn five-year covereds on Thursday and Friday, respectively.

BMO also recorded the week's biggest book - of over €1.75bn - at a time some participants feared the market would get off to a weak start.

"I would say BMO left the market in a better place than it was when it started," said a banker at one of the leads.

With both deals pricing at 18bp over mid-swaps, the pair paid some of the smallest concessions in months - BMO paying up 3bp over its mid curve and BNS just 1bp.

Quality non-eurozone issuers such as these are able to access size with smaller premiums because their spreads are more attractive than those of their eurozone peers, which were more compressed by CBPP3.

It is here investors returning from the sidelines after the ECB's exit will see the most value, said bankers.

"These are the kind of names that will win: the Canadians, the Aussies, the Scandis," said a syndicate banker away from the deal. "That's the way this world is going."

TRANSPARENCY PAYS

German issuers, the tightest-trading in covereds, have found the going tougher.

COMMERZBANK braved adverse conditions to open the 2019 FIG market last Wednesday, printing a €1.5bn dual tranche, five and 15-year deal.

LBBW followed with a €750m seven-year priced at 5bp. It lays bare the sea change in dynamics from January 2018, when LBBW priced a €1bn seven-year at a record spread of minus 20bp.

The three tranches landed just 1bp inside guidance - a "cosmetic tightening", in the words of a lead syndicate banker - and paid premiums of 5bp-8bp.

However, BAYERNLB showed how German names can leverage greater momentum.

On Friday, it offered a €500m no-grow six-year Pfandbrief with a fixed guidance range of the 5bp area (plus or minus 1bp).

The spread was set at 4bp within an hour, making it the fastest execution of the week.

EN+ and Rusal sanctions set to go after Deripaska deal

People & Markets Russian oligarch agrees to reduce his stakes to save companies

BY GARETH GORE

The US will lift sanctions against EN+ and RUSAL, the power and aluminium businesses of Oleg Deripaska, after the Russian oligarch agreed to reduce his stakes, ending an eight-month stand-off that had threatened the two companies with collapse.

Deripaska, seen as close to the Kremlin and a target of sanctions brought in last April, will reduce his stake in EN+ from 70% to 45% as part of a deal hammered out by the company's chairman and former UK energy minister Greg Barker.

VTB is central to the deal: it will take ownership of EN+ shares that had been pledged by Deripaska in a loan taken out from the Russian bank.

Together with larger rival Sberbank, VTB had much at stake as one of the main lenders to the two companies, which have US$13bn in debts.

Glencore will also proceed with a long-planned swap of shares it owns in Rusal, which is almost 50% owned by EN+, for shares in the latter. The commodities giant first announced the swap more than a year ago, alongside the London IPO of EN+ in late 2017, but shelved the deal once sanctions hit.

STILL A TARGET

The Office of Foreign Assets Control, the section of the US Treasury that oversees and enforces economic and financial sanctions, said Deripaska himself would continue to be sanctioned – but the deal would enable the two companies to continue their operations, albeit under intense supervision.

"OFAC has secured from petitioners a binding agreement that severs Deripaska's control over these critical revenue-generating entities and reduces his ownership in these entities below 50%, thereby untangling and protecting these companies from the controlling influence of a Kremlin insider," it said.

Rusal, as the second-largest aluminium producer in the world, is a key supplier to industry across the globe. Prices for the metal surged by a third in the weeks after the sanctions were announced on the back of supply worries. OFAC has since pushed back a deadline for compliance five times.

But the agreement has drawn some criticism from those who see it as something of a climb-down from US authorities.

Michael McFaul, a former US ambassador to Russia, said the deal undermined US efforts to punish Russian President Vladimir Putin and his allies for their actions in Ukraine.

"The goal of US sanctions is to change Putin behaviour or punish Putin. OFAC did not advance either goal by lifting

The book ultimately closed at over €1bn, giving the best bid-to-cover of the German deals, and the reoffer level suggested a premium of 4bp.

Bankers credited the result to the transparent pricing strategy.

"The more defensive markets are, the better it is to be as outspoken as possible about what you are planning," said a second syndicate banker away from the deal.

"It is an appeasement approach. In particular, given it's a Friday, it's a short week, and probably 50% of the market are still either in Barbados or skiing, it's smart."

BNS also on Friday used a fixed guidance range, of the 20bp area (plus or minus 2bp), to make clear it would not price inside its predecessor BMO.

The strategy's success was highlighted by the struggles UNICREDIT faced getting a 10-year over the line on the same day. The German's €500m deal was marketed at the 15bp area and landed at 15bp, upon €625m demand (including €15m from the joint leads).

Bankers not involved questioned UniCredit's choice of a 10-year maturity amid rates volatility. All early indications point to short tenors working better, they said, with the Canadian fives and BayernLB's sixes deemed the best deals of the week.

A €750m 15-year covered for ABN AMRO also met a muted response, with the issuer only able to print at the smaller end of its expected €750m-€1bn range.

ECB STILL BUYING

Although the ECB called a halt to net QE purchases at the end of last year, it has still been placing small orders for eurozone covereds in the primary market as it reinvests maturing holdings.

These orders are smaller than the 10% that was typical in CBPP3's final months. Syndicate bankers said the ECB ticket is now of little consequence.

"If it's 10% or zero, I don't care," said one. ■

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sanctions on Rusal," he tweeted after the deal was made public. "Enriching Glencore or VTB also not in US interest. Rusal stock price soared … score that a win for Putin."

BACK TO LIFE?

What the deal means for Russian companies – and their access to international capital markets – is unclear. The sanctions around EN+ and Rusal brought in last April were the first to target previously issued securities. Prior sanctions linked to other companies had only outlawed future issuance.

The unprecedented move left many investors – mostly non-Russian – nursing heavy losses as they scrambled to offload securities to comply with sanctions. Shareholders in EN+, which had raised US$1.5bn in a London IPO only months earlier, saw the price of their shares plummet 64% from the listing price.

Bankers say that US authorities have learned lessons from what many see as an ill-thought out policy. They say that Russian assets have been re-priced over recent months to reflect a lower probability of investors once again being caught out in a game of financial Russian roulette.

"Russia versus EM from pre-sanctions to today in some instances has outperformed," said one London-based emerging markets banker. "It suggests that the impact of sanctions is dissipating at least in terms of secondary valuations."

Still, issuance since last April has been dead – apart from two bond deals from the Russian government and state-owned energy giant Gazprom in November. Russian companies have turned to domestic investors and to Asia to raise money, bypassing the US dollar debt markets where they once sold up to US$80bn of bonds a year.

Additional reporting by Sudip Roy ■

EU probes four banks over SSA 'rigging'

■ People & Markets Deutsche, Credit Suisse, Credit Agricole and BAML receive letters from regulators

BY STEVE SLATER

European Union antitrust regulators have targeted DEUTSCHE BANK, CREDIT SUISSE, CREDIT AGRICOLE and BANK OF AMERICA MERRILL LYNCH in an investigation into suspected rigging of sovereign, supranational and agency debt prices.

The European Commission said on December 20 it had told four banks it believed they had breached EU antitrust rules by colluding on prices of SSA bonds between 2009 and 2015.

It did not name the banks, but Deutsche, Credit Suisse and Credit Agricole all said they had received the Commission's statement of objections. The fourth bank was BAML, several sources said. BAML declined to comment.

Deutsche said it had proactively cooperated with the investigation and as a result had been granted immunity and did not expect a financial penalty. That indicates it was a whistleblower in the case. Whistleblowers are not sanctioned under EU rules.

In January 2016 IFR exclusively reported that four SSA traders were being investigated by the US Department of Justice for possible manipulation of SSA prices. Sources at the time said the traders under investigation were all based in London and worked at BAML, Credit Agricole, Nomura and Credit Suisse, and one had previously worked at Deutsche during the time under scrutiny.

The sources said the DoJ was investigating allegations that SSA traders had shared information in chatrooms they established for the purpose. One source said the group created a new chatroom each day to discuss activity and prices.

The European Commission said it was concerned that traders at the four banks exchanged commercially sensitive information and coordinated on prices concerning US dollar-denominated SSA bonds, mainly through online chatrooms.

The Commission could fine each bank up to 10% of their annual turnover.

Credit Suisse said it was cooperating with the EU antitrust enforcer. "We do not believe any Credit Suisse employees engaged in anti-competitive conduct, and we hope to dispel the concerns raised by the EC," it said.

The bank said the Commission's concerns relate only to trading by a single former employee, who left the bank in early 2016.

GLOBAL SCRUTINY

A statement of objections is a formal step in Commission investigations into suspected violations of EU antitrust rules, where parties are told of the objections raised against them and get the chance to respond. There is no legal deadline for the Commission to complete the inquiries.

The US DoJ is still looking at past SSA market conduct.

Other authorities have also looked for any wrongdoing.

Britain's Financial Conduct Authority closed its investigation into potential manipulation in September 2017, according to reports at the time.

Japan's Fair Trade Commission closed its investigation in March 2018. It said Deutsche Bank and BAML had violated Japanese antitrust laws, but it did not take action as the five-year statute of limitations had run out.

Several putative class action complaints have also been filed in the US related to SSA bonds, which allege banks and individuals conspired to fix prices.

But one US lawsuit against nine of the biggest SSA banks was thrown out last year by a New York judge, who said the investors who sued did not show how the alleged collusion caused them to pay higher prices for bonds. ■

Regulator raps Indian IPO bankers

■ **Equities** **Bankers argue weak markets to blame for freeze on new issues**

BY S ANURADHA

India's top securities regulator has called on bankers to rethink their approach to IPO pricing, in a sign of mounting frustration at the slump in new listings.

Ajay Tyagi, chairman of the Securities and Exchange Board of India, said the regulator had approved 70 IPOs worth a total Rs600bn (US$8.5bn) in 2018 but expressed concern over the growing backlog of deals.

There have been no mainboard IPOs on the BSE or National Stock Exchange since September as issuers wait for market conditions to improve.

"People have found ways to raise money [through private equity and preferential share issues] but IPOs not clicking is a cause of worry," said Tyagi, speaking at the capital markets summit of the Association of Investment Bankers of India in Mumbai in late December.

Tyagi called on investment bankers to ensure that issues are reasonably priced and beneficial to both issuers and investors.

"That is the task of investment bankers and we are not getting into it. I would request investment bankers to look into it as pricing is an issue," he said.

"Perhaps more due diligence is required to see to it that we come to a pricing band which is acceptable to both issuers and investors."

NEGATIVE IPO RETURNS

In rising markets in 2016 and 2017, Indian IPOs were mostly priced at a premium to comparable listed stocks and regional peers, often with narrow price ranges that gave issuers and investors little flexibility should market conditions change.

Last year's new listings continued the trend of premium pricing, but the more volatile backdrop meant the post-listing performance of most IPOs was weak. Investors on average lost 6% on Indian IPOs in 2018, against positive returns of 2% in 2017 and 19% in 2016, Kotak Investment Banking said in a report.

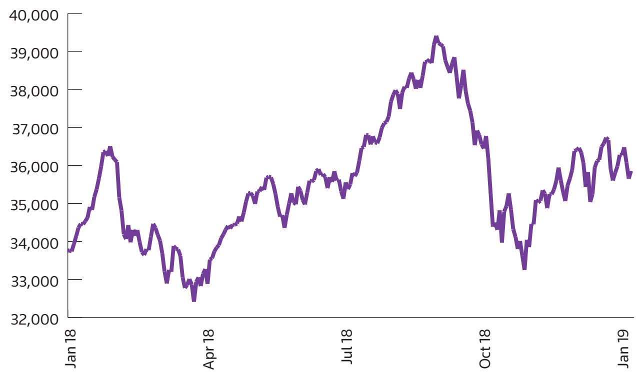
ECM bankers, however, argue that pricing was not the main reason for the lack of activity.

"It's easy for Sebi to place the blame at the bankers' doorstep but there are many other factors at work," an ECM banker said.

Mid-cap stocks fell sharply after the market regulator last year imposed higher margins on the purchase of these shares, and sentiment towards financial stocks took a big hit when Infrastructure Leasing and Financial Services defaulted. Both developments cast a

CHOPPY YEAR FOR INDIAN EQUITIES

SENSEX INDEX, POINTS



Source: Refinitiv

Stealth biotech IPO goes missing

■ **Equities** **Drug developer drops Hong Kong listing plan in favour of US**

BY FIONA LAU

Hong Kong's ambitions to become a hub for biotech listings are facing a new challenge, with at least one IPO candidate ditching its plans in favour of the US market.

STEALTH BIOTHERAPEUTICS, a US-based but Hong Kong-owned clinical-stage biotech drug developer, filed for a US$86.25m Nasdaq IPO with the US Securities and Exchange Commission on December 28. The US filing marks an end to the company's Hong Kong listing plans, after its application to the Stock Exchange of Hong Kong lapsed last week.

Stealth is not the only biotech listing aspirant turning to the United States. US-based cancer-detection start-up GRAIL, which counts Amazon founder Jeff Bezos and Microsoft founder Bill Gates among its investors, is also now weighing a US IPO after planning to raise about US$500m from a Hong Kong float last year, according to people familiar with the situation.

Stealth had been one of several biotech companies looking to take advantage of rules introduced by Hong Kong Exchanges and Clearing last year to attract listings from biotech firms with no profits or revenues.

The poor trading performance of some biotech companies in the city, however, has discouraged Stealth and prompted it to opt for a US listing, according to people close to the deal.

Five biotech companies have listed under Hong Kong's new rules so far. As of last Thursday, the shares of Ascletis Pharma, the first such listing, had tumbled 57% since their August 1 debut. Shares of BeiGene were 25% below their IPO price, while Hua Medicine closed almost flat to the IPO price.

Innovent Biologics has been the best performer. Its shares closed at HK$22.35 on Thursday, up 60% from the IPO price. Shanghai Junshi Biosciences, which started trading on December 24, was 20% above the IPO price on Thursday.

CHINA LINK

Stealth, based near Boston, Massachusetts, discovers and develops therapies for diseases involving mitochondrial dysfunction. The company has five clinical developments and plans to commercialise one of them by 2020.

It planned for a Hong Kong IPO earlier as it is backed by the family behind Hong Kong property developer Hang Lung Group. Investment company Morningside Group, which was founded by the Chan family, owns a 95.3% stake.

"Some US-based biotech companies with Chinese management or shareholders were looking at a Hong Kong listing last year," said an ECM banker who focuses on the healthcare sector.

"With some of the biotech listings trading significantly down in the city and Moderna

shadow over the new issue market, the banker said.

Total Indian equity offerings plummeted to US$15bn in 2018 from US$28bn in 2017, according to Refinitiv data, while Kotak said IPO volumes more than halved to US$4.7bn in 2018 from US$10bn the previous year. The S&P BSE Midcap index fell 15% in the 12 months to January 2, while the S&P BSE IPO index dropped 10% during the same time.

"Everything looks expensive in such a market. Unfortunately, it will take a series of bad performances to shake the complacency of bankers and issuers," another ECM banker said.

BRIGHTER SECOND HALF

Bankers expect the issuance market to pick up only in the second half of 2019 after the federal elections in May.

"The elections and the price of crude oil will be the main factors determining the direction of the stock market," Kotak said. Typically, Indian stocks fall when crude oil prices rise as this weakens the rupee.

"Although the IPO backlog is strong, some of the mid-caps and small-caps may rethink listing due to significant value correction," Kotak said. The financial sector remains the preferred sector for investors followed by real estate and consumer-related companies.

"It's easy for Sebi to place the blame at the bankers' doorstep but there are many other factors at work"

The most eagerly awaited listing is the EMBASSY OFFICE PARKS REIT, which is planning an IPO of up to Rs60bn. The REIT received regulatory approval for the issue and is targeting a launch in the first quarter.

Stock sales via qualified institutional placements in 2019 will be led by the financial sector, while companies in the capital-intensive telecoms and steel sectors may call on shareholders with rights issues. The country's largest bank, STATE BANK OF INDIA, is planning a QIP, with shareholder approval to raise up to Rs200bn. ■

completing a record IPO in the US, more US-based biotech companies may opt for a home listing instead."

"Some Chinese biotech firms prefer a US listing as the investors there have a better understanding of the industry"

US biotech firm Moderna raised US$605m in the US in December from the largest ever biotech IPO, but has also disappointed investors. Its shares closed at US$15.50 last Thursday, 33% below the IPO price of US$23.

SOPHISTICATED

A more sophisticated investor base is another attraction of the US markets.

"Some Chinese biotech firms prefer a US listing as the investors there have a better understanding of the industry," said another ECM banker who is working on a few China-to-US biotech listings.

While some biotech aspirants have changed their mind, many others are lining up for Hong Kong IPOs. Five unprofitable biotech companies so far – mostly Chinese – have filed in the city and are waiting for listing approval.

Stealth posted a loss of US$40.4m for the first three months of 2018, compared with a loss of US$18.6m over the same period of 2017.

BOC International and Jefferies were the joint sponsors on the aborted Hong Kong IPO. *BMO Capital Markets*, *Evercore ISI* and *Jefferies* are the bookrunners on the US float. ■

Philippines eyes sterling debut

■ Emerging Markets Sovereign seeks diversification amid infrastructure spending spree

BY FRANCES YOON

The REPUBLIC OF THE PHILIPPINES, rated Baa2/BBB/BBB, is exploring its first sterling bond offering in a bid to diversify its finances and raise money to fund public infrastructure projects.

Finance Secretary Carlos Dominguez III said in a statement last Wednesday that the government planned to add the UK to its list of offshore funding destinations, alongside repeat issues in yen, renminbi and other major markets.

The Philippines is raising money for President Rodrigo Duterte's "Build, Build, Build" initiative – a sprawling infrastructure programme to construct bridges, highways, railways and airports. The programme comprises 75 projects valued at a combined US$36bn.

"We told bankers that our policy now is not to be absent from any major market for long periods," Dominguez said. "For the Samurai, we are going to come back within 12 to 18 months from August. In China, we will come back to the market again within 12 to 18 months from last March. And we are going to explore doing something in England."

Sterling issues are rare from Asia, and no Philippine issuer has previously sold bonds in the currency, according to Refinitiv data. Excluding the Manila-based Asian Development Bank, the last government-linked sterling issue from Asia came from Korea Development Bank in October 2017.

Dominguez also said that he had instructed national treasurer Rosalia de Leon to accelerate bond issuance ahead of schedule because of global uncertainties over the US Federal Reserve's decision to continue raising interest rates.

The Philippines has mandated *Bank of China International*, *Citigroup*, *Credit Suisse*, *Goldman Sachs*, *JP Morgan*, *Standard Chartered* and *UBS* for a US dollar offering, IFR reported last November.

The government issued Asia's biggest Samurai bond in August, raising ¥154.2bn (US$1.38bn) from a three-tranche deal in its first offering in Japan since 2010. That deal came just a few months after it shook up the Panda market with an exceptionally tight debut – a Rmb1.46bn (US$230m) 5.0% three-year note issue in China's interbank market at the tight end of 5.0%–5.6% indicative guidance. ■

People & Markets

15 Bristol-Myers Squibb gave a shot in the arm to M&A bankers by kicking off the year with a US$74bn takeover

17 Kanetsugu Mike is taking over as MUFG's new president and CEO, potentially keeping its focus on overseas growth

22 Commodities trader Noble Group turns to Bermuda to wrap up its long-running and contentious debt restructuring

FRONT STORY MARKETS

Weak Q4 leaves DCM, ECM in doldrums

Slowest final quarter for debt issuance since 2011

Global debt capital markets issuance was US$6.6trn last year, down 8% from the year before and a three-year low, while equity capital markets activity tumbled 12% as it also endured a slow end to the year.

Debt issuance in the fourth quarter was down 27% from the third quarter to about US$1.2bn - the slowest quarter since the final three months of 2011, according to data from Refinitiv.

There were 20,692 debt issuance deals during 2018, down 12% from 2017, and most areas were weak. There was a 6% drop in investment-grade corporate issuance in 2018 from 2017; a 14% drop in supranational, sovereign and agency; and a 37% tumble in high yield corporate activity, the data showed. The only areas to buck the trend were asset and mortgage-backed securities issuance (see chart).

Bankers blamed the weak end to last year on worries about US-China trade tensions, slowing growth and geopolitical risks, and bond syndicates are bracing themselves for a slow start to the year as a sense of gloom remains (see Top News story).

Still, global fees from investment banking - including M&A advisory, debt and equity underwriting and syndicated lending - totalled US$102.6bn last year, down a modest 4% from the year before. That was helped by M&A action, where activity jumped 19% and surpassed US$4trn for only the third time (see page 20).

JP MORGAN kept its spot at the top of the fee rankings, bringing in US$7bn from 4,184 deals. That gave it a 6.8% market share, up 33bp from the year before, according to Refinitiv data.

GOLDMAN SACHS stayed in second place after bringing in fees of US$6.4bn for a market share of 6.2%, up 39bp, while **MORGAN STANLEY** moved up to third from fourth a year ago as it gained 10bp of market share to 5%.

DCM SLOWDOWN

The drop in global DCM issuance was partly due to a 17% slump in US investment-grade corporate debt to US$1.1trn, the lowest level for four years, the Refinitiv data showed.

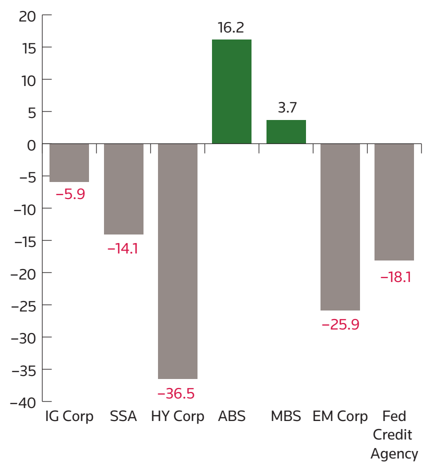
The volume of global high yield debt was US$267bn last year, down 37% from 2017 and the slowest year for high yield issuance since 2009. The US market accounted for 45% of global high yield issuance, down from 54% a year earlier. Financial issuers accounted for 25% of high yield activity, up from 17% in 2017.

Banks were paid US$25bn in fees from debt underwriting last year, down 14% from 2017, Refinitiv estimated.

JP Morgan topped the table for DCM underwriting by a whisker, working on deals with proceeds of US$370bn. That took it just US$600m ahead of **CITIGROUP**, which slipped to second after leading the DCM pack in 2017. Both banks had a market share of 5.6%, down 100bp and 110bp from 2017, respectively.

GLOBAL DEBT CAPITAL MARKETS 2018 VS 2017

% CHANGE BY ASSET CLASS



Source: Refinitiv

BANK OF AMERICA MERRILL LYNCH and **BARCLAYS** stayed in third and fourth, respectively, while *HSBC* moved up to fifth from seventh in 2017, and was the only one of the top 10 DCM banks not to lose market share, the data showed.

ECM DOWN, IPOs UP

Equity capital markets fared even worse, with global activity of US$696bn in 2018, down 12% from the year before and the slowest year since 2016, Refinitiv said.

There were 4,892 ECM issues last year, down 16% from the record high seen in 2017.

The number of initial public offerings bucked the gloom, however, and brought in US$200bn, up 11% on the year before and the strongest for four years. That was helped by a strong end to the year, swelled by the IPO of Chinese tech giant SoftBank.

ECM issuance from the United States accounted for US$212bn of the activity, up 6% on the year and accounting for 30% of global activity, compared with 25% in 2017.

Five sectors accounted for 60% of global ECM activity last year, led by technology firms, which contributed 15% of volume. Financials also accounted for 15%, healthcare was 11% of volume, and industrials and energy/power each contributed 10%.

Banks earned US$17.7bn in fees from ECM activity last year, down 12% from 2017, Refinitiv estimated.

Goldman Sachs swapped places with Morgan Stanley to top the ECM rankings after working on deals with proceeds of US$64.9bn in 2018, just US$500m above its rival. Both had a market share of 9.3%, which was up 160bp at Goldman and up 80bp at Morgan Stanley.

Steve Slater

> "Let's look at the facts: Deutsche Bank has a very strong capital basis compared to its competitors"
>
> **DEUTSCHE BANK CHAIRMAN PAUL ACHLEITNER, P23**

DoBank bulks up in NPL servicing with Altamira

Italy's largest servicer of bad loans, **DOBANK**, has bought 85% of a firm that services and sells loans in Spain, Portugal, Greece and Cyprus to create a non-performing loan powerhouse with more than €140bn of assets under management.

DoBank said last week it was buying 85% of **ALTAMIRA ASSET MANAGEMENT**, a holding company owned equally by funds managed by Apollo, Canada Pension Plan Investment Board and Abu Dhabi Investment Authority. It could buy 100% of Altamira, if **SANTANDER** exercises a "tag-along" right to sell its 15% stake.

The deal values Altamira at €412m by enterprise value, plus an earn-out of up to €48m linked to its international markets. Altamira manages credit and real estate loans of about €55bn, and is expected to post revenues of €255m and earnings of around €95m for 2018, doBank said.

The deal sees doBank expand away from Italy, where it has been active trying to clean up more than €260bn of bad loans held by the country's biggest banks.

> **It is taking banks longer than wanted to clean up hundreds of billions of euros of bad loans across Europe**

The firm manages bad loan portfolios day-to-day on behalf of banks and investors. In Italy its clients include Fortress and King Street Capital Management. It seeks to recoup money through agreements with borrowers or court action. Its pitch is that it can extract more value from such portfolios than the banks can themselves.

IFR reported in November doBank was looking to grow outside Italy. It set up an office in Greece and was overhauling its structure to allow it to take on more leverage and potentially buy some of its rivals.

€140bn IN ASSETS

It said it retains a prudent financial profile after buying Altamira, which will be financed with doBank liquidity and a five-year bank credit line of up to €450m, at an interest rate of six-month Euribor plus an initial spread of 250bp.

DoBank said its net debt would remain no more than three times Ebitda and the

UBS takes control of China JV

UBS has become the first foreign bank to raise its stake in a China securities joint venture to 51% after its long-awaited acquisition finally went through just before Christmas.

Following the acquisition, UBS holds a 51% stake in UBS Securities. The other shareholders are Beijing Guoxiang Property Management (33%), Guangdong Provincial Communication Group (14.01%) and China Guodian Capital Holdings (1.99%).

UBS, which previously held a 24.99% stake in the JV, did not disclose the acquisition price. In October, China Guodian Capital said it was selling a 12.01% stake in UBS Securities at a floor price of Rmb396m (US$57.4m).

Cofco Group said in a separate statement it was selling its entire 14% stake in the JV for a floor price of Rmb462m. Those filings imply a valuation for UBS Securities of about Rmb3.3bn, or around US$480m.

UBS is now only the second foreign bank, and the first under new rules introduced by China's securities regulator last April, to hold a majority stake in its JV.

INTERNATIONAL ARRIVALS

HSBC, which invested under a specific trade agreement between China, Hong Kong and Macau, already holds a 51% stake in its JV, HSBC Qianhai Securities.

In April, the China Securities Regulatory Commission introduced new rules allowing foreign banks to raise their shareholdings in their securities JVs to 51%, with the aim of eventually removing the cap altogether within three years.

The changes have triggered a new wave of enthusiasm among international banks. Morgan Stanley, which currently holds a 49% stake in Morgan Stanley Huaxin Securities, has applied to increase its shareholding to 51%.

JP Morgan, which walked away from its partnership with First Capital Securities in 2016, has applied to set up a new JV, while Citigroup is looking to exit from its partnership from Orient Securities in order to set up a new one.

Meanwhile, DBS Group and Nomura confirmed they have applied to set up new JVs, entering the industry for the first time, while and Societe Generale said it "plans to set up its securities business in China via a local joint venture".

Who's moving where…

Katie Murray has been appointed chief financial officer at **ROYAL BANK OF SCOTLAND** after handling the role on an interim basis since August. Murray became the first woman to hold the finance chief post at RBS when she took up the role on January 1. Murray was made interim CFO following the departure of Ewen Stevenson, who left in September to become CFO at HSBC. Another female executive, Alison Rose, is widely tipped to take over as RBS chief executive.

JP MORGAN has rehired Ling Zhang as head of healthcare and technology investment banking in China. Zhang, who will be based in Hong Kong, worked for the US bank briefly in 2015 as head of China healthcare investment banking before leaving the same year to join biotechnology company BGI Genomics as chief operating officer. Zhang previously spent eight years with Citigroup and five years with China International Capital Corporation.

impact on earnings per share and dividend should be positive as early as this year. Altamira has partnerships with banks and investors including Santander, Sareb, Bain Capital and Apollo.

The deal will give doBank assets of €140bn in gross book value, and help diversify its portfolio. It will have 2,200 employees. It estimated there are more than €650bn of NPLs across Italy, Spain, Greece, Cyprus and Portugal.

DoBank also targets unlikely to pay loans – which have not soured enough to be defined as non-performing – where there are also hundreds of billions of euros held by banks.

It is taking banks longer than wanted to clean up hundreds of billions of euros of bad loans across Europe. That is mainly because sales or writedowns typically involve banks taking a capital hit, and many lack the balance sheet strength to do so.

DoBank said Mediobanca and UBS were financial advisers on the transaction.

Steve Slater

NEW HEADS

UBS also appointed new heads of investment banking at the China securities JV.

Lijun Sun and *Wencheng Liu* have been appointed co-heads of corporate client solutions at UBS Securities. In addition, Sun has been appointed head of the UBSS Shenzhen branch, while Liu will continue as head of the Shanghai branch.

Sun joined UBS this year from Credit Suisse, having previously served as head of investment banking at the rival bank's onshore JV. Meanwhile, Liu has been with UBS since 2007 and was previously head of its financial institutions group in China. They are replacements for Xuewen Bi, who relocated to Hong Kong earlier this year to take up the role of co-head of Greater China.

Thomas Blott

Bristol-Myers tilt at Celgene re-ignites mega deals

Mega mergers got a shot in the arm in the first week of the new year with **BRISTOL-MYERS SQUIBB** announcing it had agreed to buy rival pharmaceutical developer **CELGENE** in a deal valued at about US$74bn.

The deal also puts Morgan Stanley on track to defend its position as the most active M&A bank in terms of announced deals by value.

That is a position it wrested from arch rival Goldman Sachs last year, when worldwide announced deals surpassed US$4trn for only the third time ever.

Morgan Stanley just edged out Goldman to take the top spot in terms of completed deals by value last year. The duo each advised on more than US$1trn of such deals

Morgan Stanley is the lead financial adviser to Bristol-Myers, with Evercore and Dyal Co. JP Morgan is advising Celgene with Citigroup. The banks could share an estimated US$195m in fees.

The huge drug deal comes after a recent quiet spell for deals of more than US$5bn. Transactions above that level still powered the M&A market last year but the value of such deals fell 56% in the second half compared with the first half.

The total value of deals announced last year was 19% higher than in 2017. But the volatility in the markets during the fourth quarter meant deal flow slowed to the lowest level since the second quarter of 2017.

The combined value of deals in the fourth quarter fell by 5% compared with the third quarter.

While the value of deals rose last year, thanks to the continued flow of large transactions, the number of worldwide deals fell 8% to match 2017, a three-year low, according to Refinitiv data.

The value of worldwide large M&A transactions greater than US$5bn totalled US$1.5trn last year, up 51% compared with 2017.

According to Refinitiv, 123 mega deals accounted for 38% of the announced M&A deal tally last year, up from 30% in 2017.

TOP BILLING

Morgan Stanley just edged out Goldman to take the top spot in terms of completed deals by value last year. The duo each advised on more than US$1trn of such deals.

JP Morgan, which has said it will press for a larger market share this year, remained in third position. Citi overtook Bank of America Merrill Lynch to take the fourth spot.

Barclays and Credit Suisse each moved up a spot, taking the sixth and seventh positions as European deals rebounded, hitting an 11-year high.

Roughly US$1trn in EU deals were announced last year, up 32% compared with 2017. European deal-making accounted for 25% of overall M&A activity during 2018, the highest percentage since 2014, according to Refinitiv.

Cross-border M&A activity totalled US$1.6trn last year, up 32% compared with 2017. It was the best year for cross-border M&A since 2007.

US targets accounted for US$1.7trn of the total announced deals last year, an increase of 32% year-on-year.

Philip Scipio

Please contact us if you have information about job moves: **peoplemarkets@tr.com**

NOMURA has hired Tom Lowe as a vice president in its debt capital markets team to support its UK and Ireland financial institutions coverage, a source said. Lowe, who will join the Japanese bank in February, joins from Santander where he has worked in similar roles since July 2015. Lowe's appointment follows the departure of George Moore, who left Nomura last summer to join Citigroup. Lowe will report to David Hague, head of UK and Ireland FIG DCM.

Dennis Bon has been appointed head of depositary and fiduciary services for **BNP PARIBAS** in Paris. He will report to Arnaud Claudon, head of asset managers at the French bank's securities services arm. Bon joined from JP Morgan, where he worked for 17 years in the US lender's corporate and investment bank. Most recently he was head of global custody for the Americas.

Bellwether

Bellwether: *n.* From the practice of placing a bell around the neck of a castrated ram so that it might lead its flock

WITH CONCERNS OVER a hard Brexit uppermost in many minds as the new year began, London-based bankers are torn between fretting over whether they should stockpile Charles Tyrwhitt collar stiffeners or plan for when they'll get the tap on the shoulder and be asked to move to France, Ireland, Spain or Germany.

It appears not everyone is panicking though. When asked if he would be relocating, one young banker at JP Morgan told Bellwether that he "was not in the Lifeboat (1st stage) or probably in the Landing Craft (2nd stage) but might be on the Cruise Ship (3rd stage)".

But Bellwether wasn't sure whether the reference to cruise ships meant he was anticipating a more leisurely transition, or mulling the prospect of enforced early retirement.

EUROPE'S BANKING INDUSTRY is in decline and the slide must be urgently reversed if the EU wants to remain a force to be reckoned with.

Wise words indeed. But would it be churlish of Bellwether to point out they came from the former boss of a bank that has been cap in hand to investors at least five times in the past decade, and is currently the poster child for crisis bank?

Josef Ackermann, who ran Deutsche Bank from 2006 until 2012, lamented this week in the Financial Times the "sorry state" of banking in the eurozone, particularly investment banking.

After acknowledging that "serious mistakes made by management at some large European institutions contributed to this state of affairs" *(ed: cough, splutter, let's not name names old chap)*, Ackermann goes on to lay the blame on a variety of other factors – Europe's weak economic recovery, low interest rates, too many banks, and – wait for it – the EU cap on bankers' pay.

IPO BRAGGING RIGHTS go to Morgan Stanley for snatching top spot in the annual rankings from Citigroup and it already has a promising 2019 in prospect after landing a slot last month as underwriter for Uber's planned listing.

Morgan Stanley's appointment came after it emerged that its top tech banker Michael Grimes moonlighted as an Uber driver to ensure the US bank was in pole position. Full marks for client commitment but spare a thought for his passengers. Presumably in New York no-one bats an eyelid, but in London if a taxi driver tells you he's actually a leading tech banker, you politely say "course you are mate" and turn off the intercom.

WITH THE FESTIVE season over, the annual quest for health and fitness through extended periods of abstinence begins, with the IFR awards dinner on January 29 providing the only light at the end of the tunnel for fun-seekers.

But the health-conscious cannot keep their regimes to themselves, and instead regularly change the names of months. Little dulls the soul like Dry January, but that's nothing compared with the fear currently stalking the corridors at Santander, as they anticipate Andrea-ry, named after the month when Andrea Orcel, the former head of UBS's investment bank, takes the reins as its new CEO.

The problem is, with Orcel's arrival vaguely scheduled for "early 2019", no-one knows when Andrea-ry will begin. It could be January, or February, or for that matter the Ides of March.

Meanwhile, is UBS positioning itself for an Orcel-inspired bout of M&A? The Swiss bank has just cannily promoted Carles Guzman, a Spaniard whom Orcel brought with him to UBS from Bank of America Merrill Lynch, as head of M&A for its FIG team. If Carles can't bag a mandate from his former boss, who can? ■

Who's moving where…

■ Law firm **GRANT & EISENHOFER** is launching a new shareholder activism practice and has hired a director to pull in fresh business from investors prodding companies to perform better by improving capital allocation, governance and operations. Jonathan Oestreich has joined to head the team, which is still being put together and will include financial, legal and governance experts. Oestreich, a lawyer, previously worked at shareholder activism advisory firm Spotlight Advisors.

■ Josh Weismer has joined **MIZUHO AMERICAS** as head of US equity capital markets. Weismer joined from Scotiabank, where he also served as head of US ECM. He will be based in New York and report to Andrew Dewing, the head of banking.

■ **BCS GLOBAL MARKETS** has hired Edward Shek as head of equity trading in London. Shek was previously head of CEEMEA cash trading at JP Morgan, having been head of pan-European financials trading at Cazenove.

■ **NATIXIS** has appointed Rene Hartert and Alik Hertel to expand its coverage in Germany. Hartert will be head of financial sponsor coverage across Germany, Austria and German-speaking Switzerland. He joined from Commerzbank's leveraged finance group. Hertel will be head of insurance coverage for Germany and Austria. He joined from Talanx, where he was head of group corporate development and M&A and group treasury.

MUFG promotes Mike to CEO

MITSUBISHI UFJ FINANCIAL GROUP has chosen the head of its commercial banking division, *Kanetsugu Mike,* as its new president and chief executive officer.

Mike, 62, will replace current CEO *Nobuyuki Hirano*, 67, who has been appointed chairman. Mike will continue in his role as chief executive of the commercial banking unit, MUFG Bank, at least for the time being, Japan's number one lender said.

MUFG said current chairman *Kiyoshi Sono*, 65, will become chairman of MUFG Bank, while chief information officer *Hironori Kamezawa*, 57, will become deputy president. The changes are effective April 1.

MUFG's selection of Mike marks a shift in custom in Japan, where most chief executives are typically drawn from corporate planning departments.

Mike, who joined the bank in 1979, has spent around half his career overseas and was recently head of MUFG's global business group before being tapped in 2017 to succeed Takashi Oyamada at the helm of MUFG Bank after Oyamada's resignation due to ill health.

Japan's largest lender has been expanding aggressively overseas to offset a stagnant domestic operating environment. In May, it announced its biggest revamp since the merger of Mitsubishi and UFJ in 2005 with the creation of a new structure as part of a three-year plan designed to make better use of its international network.

MUFG, which already has by far the largest overseas presence of Japan's three megabanks thanks to its shareholdings in other lenders, was also given the nod from Indonesia's financial regulator OJK last year to raise its stake in Bank Danamon above 40%.

But Mike came under fire last October after MUFG Bank went ahead with the opening of a branch in Riyadh only a few weeks after the murder of Saudi journalist Jamal Khashoggi. Mike was one of many international executives that pulled out of the Future Investment Initiative conference in Saudi Arabia following the outcry.

Thomas Blott

Pillarstone CEO Davison steps down

John Davison is stepping down as chief executive of **PILLARSTONE**, the platform set up by US private equity firm **KKR** to buy or manage non-core bank assets in Europe, after four years at the helm.

Pillarstone said Davison's responsibilities will be divided between *Gaudenzio Bonaldo Gregori*, who will become head of its Italian office, and *Dan Haxby*, as head of its London and Greece offices. Both men are already part of Pillarstone's senior leadership.

Davison, who was previously global head of strategic investments at Royal Bank of Scotland, is leaving to pursue "new opportunities", Pillarstone said. It did not provide further details.

Davison and KKR Credit co-founded Pillarstone in 2015 with the aim of helping banks restructure their non-performing corporate, shipping and real estate credit exposures. It has worked with major banks in Greece and Italy, including UniCredit and Intesa Sanpaolo. It currently has €2.2bn of credit exposures under management across 10 portfolio companies, and has sold several assets it has invested in.

Pillarstone injects capital and works alongside banks and companies to help them recover and grow. Its model does not require straight buyouts, where banks would take a loss upfront, so lenders can share some of the upside if the performance of corporate borrowers improves.

Steve Slater

Credit Suisse DCM veteran Agarwal leaves

Sandeep Agarwal, chairman of debt capital markets solutions for Europe, the Middle East and Africa at **CREDIT SUISSE**, has left the bank, according to two sources familiar with the matter.

He is leaving the industry to join **OWNR**, a German housing leasing company, as group CFO at the beginning of February. He will remain based in London.

Agarwal was appointed to the role of chairman a year ago, having effectively looked after investment-grade primary debt in EMEA since 2011 when he took over corporates in addition to running the FIG business.

A couple of years later he was made co-head of a regional debt solutions group, formed by merging DCM and corporate derivatives.

His latter job replicated similar roles at a number of banks – including JP Morgan and Barclays – where stalwarts of the business take on a chairman role focusing on clients.

Alice Gledhill

Please contact us if you have information about job moves: **peoplemarkets@tr.com**

■ **BARCLAYS** has hired Dominic Nash as head of utilities and Peter Crampton as a utilities analyst as part of an expansion in European equity research. Both analysts previously worked at Macquarie. They will report to Rupert Jones, head of European equity research, and join current utilities analyst, Catherine Hubert-Dorel. Barclays said it has hired 49 analysts since Jones joined the bank in July 2017, and it will continue to selectively hire.

■ **CITIGROUP** has divided up the roles of outgoing North America chief executive Bill Mills. Citibank National Association CEO Barbara Desoer will chair Citi's business practices committee and former Japan CEO TJ Della Pietra will oversee the legacy assets business, which includes Citi's non-core consumer and institutional businesses and assets. International franchise management will be led by Michael Burke.

■ Boutros Klink has been appointed chief executive for **STANDARD CHARTERED** in the Middle East, excluding the United Arab Emirates. Klink will hand over his responsibility as chief executive of Bahrain to Abdulla Bukhowa, chief executive of Qatar. Bukhowa will continue to oversee the bank's operations in Qatar. Muhannad Mukahall will run the bank's operations in Jordan, while Hussain Yafai is appointed chief executive of Oman.

“Where personal interests take precedence over client interests this may reduce the allocation available for clients”

AUSTRALIA SECURITIES REGULATOR REPORT ON ALLOCATING STOCK TO STAFF, P22

Capital markets week ahead: **Israel, Fresenius, Danske Bank**

HAPPY 2019, FOLKS! Another year over and a new one just begun. But any hope that it might be a good one for investment bankers is looking a tad optimistic right now. Markets are in meltdown, weak business surveys are fuelling fears of a slowdown, quantitative easing in Europe is over, while the government shut-down in the US means that regulators can’t approve any IPO filings. Not a great start, then.

The shaky start to the year comes right on the back of a disappointing 2018. Fees from underwriting and advisory work dropped 4.3% from the record US$107bn set the previous year, with equity and bond markets both badly scarred. That didn’t stop JP Morgan pulling out its lead in terms of market share, though. With the numbers now reset, who will fare well in 2019?

TEL AVIV – AND ALL ITS MATES Israel seemingly hasn’t been put off by market conditions, however, with the sovereign set to begin a roadshow on Monday ahead of a possible euro-denominated bond deal. The sovereign last issued in euros in 2017, which was a return to the currency after a three-year break. It will be hoping the prospect of an upgrade from Moody’s might tempt investors to buy the new debt.

BILL OF HEALTH Fresenius will be hoping bond investors have a short memory when it begins meeting them to market a new issue from on Tuesday. The roadshow comes just a month after the German healthcare company issued a profit warning, which prompted a sell-off in its outstanding debt. The company had been a stalwart of the high-yield market but was upgraded to investment grade in 2015.

DANISH, ANYONE? Despite an ongoing money-laundering scandal still dominating the headlines, Danske Bank is set to brave the US dollar markets with a roadshow to market a senior non-preferred bond issue. It isn’t its first dollar-denominated SNP: it debuted in the currency last June. But, given the scandal and ongoing worries over European banks, it will likely need to pay up – as BNP Paribas had to last week.

HITTING THE ROAD Chengdu Expressway, which operates and develops motorways in and around the city of Sichuan, hopes to raise HK$880m (US$112m) from its Hong Kong IPO, which is being priced on Monday. The company is selling 400m shares, or 25% of the enlarged share capital, and has signed up two cornerstone investors that will take up about a third of the float. Trading begins next Tuesday.

IN THE MARKET Weimob, meanwhile, hopes to price its own Hong Kong IPO a day later. The Chinese cloud-based commerce and marketing firm hopes to raise up to HK$1.06bn from the deal. Three cornerstone investors have agreed to take up a combined US$42m of the IPO shares: Shanghai Wentang has pledged for US$30m, Beyond Science US$7m and Hong Kong-listed third-party payment firm Huifu US$5m.

ROCKET FUEL Swedish telecommunications firm Ovzon is turning to shareholders to help raise money for a new satellite it intends to launch next year. It has launched a SKr750m (US$83m) rights issue, subscription on which begins on Wednesday. The Ovzon-3 will cost a total of SKr1.5bn, with the remaining cash coming from existing funds and external loans.

LENDING A HAND The Banca Carige saga continues, with ECB-appointed administrators poring over their options after attempts to raise fresh capital at the end of last year ended in failure. One option being touted is for a €320m convertible bond issue to be converted into equity. The Malacalza steel dynasty, which is a big shareholder and which balked at the capital raising last month, has said it is open to new ideas.

HEART AND SEOUL Korea Midland Power, which operates six power stations in South Korea, meets with investors to market its first bond issue in three years. Fixed income meetings will kick off in Singapore on Monday, then head to Hong Kong, London and Zurich afterwards. Hanwha Total Petrochemical is also on the road, with a series of fixed income investor meetings in Asia and Europe that will start on Monday.

LAST WEEK IN NUMBERS

2.6% – Yield on the 10-year US Treasury, the lowest in 11 months, amid concerns about global growth

3 – Sterling deals announced last week; two from SSA borrowers, the other a covered bond

2.5 points – Fall in Tesla’s 5.3% 2025s to around 85 bid after production figures that missed expectations

Natixis takes €260m equities derivatives hit

NATIXIS has warned that problems in equities derivatives in Asia would pull back the French bank's net revenues in the fourth quarter by €100m. The group said it would also make a €160m provision against its book to cover possible losses.

"The model used to manage some specific products traded with clients in Asia led to a hedging strategy that proved to be deficient under current market conditions," Natixis said in a statement.

Reuters said the losses came from South Korea, whose index is down 16% this year.

"We would expect that the loss will intensify focus on risk management quality to protect against later cycle risks," said Bruce Hamilton, analyst at Morgan Stanley.

Hamilton said the warning could also "lead to questions for other capital market names e.g. Swiss/French [banks] with exposure to Asian equity derivatives."

Natixis said it expects to report net revenues of €2bn in the fourth quarter, which would be 11% lower than the €2.25bn reported in the equivalent period a year ago.

The French bank said the item would be treated as non-recurring as it related to an activity which it did not expect to contribute significantly to its medium-term revenue plans. It said excluding the Asian equities derivatives position, trading in its other businesses was flat compared with a year ago.

Natixis also said it would pay a €1.5bn special dividend. That is beyond its new strategic plan to pay out 60% of its earnings as ordinary dividends, which it said remained its plan. The special dividend comes from its sale of its retail activities to BPCE, its parent.

BPCE was deemed a global systemically important financial institution by the Financial Stability Board in November. It is one of 17 banks that will have to hold an additional one percentage point of CET1.

As part of its strategic plans Natixis is overhauling its markets unit. In the third quarter the markets division reported an 8% year-on-year fall in revenues to €335m.

Christopher Spink

SNS Reaal bondholders set for compensation details

Former junior bondholders of SNS REAAL, the Dutch bank nationalised in February 2013, are looking forward to a more prosperous 2019 after the country's finance minister Wopke Hoekstra said they should be compensated.

Hoekstra told the Enterprise Chamber of the Court of Amsterdam the investors should receive compensation, and the court will decide this month the amount they will get.

When the government stepped in nearly six years ago, senior bondholders of the lender were left untouched but more junior creditors were completely wiped out. The latter have subsequently been challenging the decision in a lengthy process.

An independent report has said the junior bondholders could have received more than €800m if the bank had been put into an insolvency process and run down.

The resolution of SNS Reaal was the first in Europe to use new bank legislation, accepting that creditors should bear losses before taxpayer money is used to bail out banks. That "bail-in" principle came into full force at the start of 2016 and was used to resolve Spain's BANCO POPULAR.

As with SNS Reaal, its shareholders and junior bondholders were in effect wiped out before the bank was sold to compatriot SANTANDER. The Dutch government's acceptance that SNS Reaal junior bondholders should be compensated has given hope for Popular's investors too, who also claim they would have been better off without the resolution actions.

"The ruling in the Netherlands shows that it's important that the valuations which are commissioned by the central authorities are challenged and subject to critical analysis. We hope that the EU General Court will take note of what happened in the Dutch case," said Richard East, partner at law firm Quinn Emanuel, which represents a group of Popular bondholders.

Christopher Spink

Obituary: John Lee-Tin

The debt capital markets community is mourning the loss of *John Lee-Tin*, who died of cancer at the end of 2018.

Lee-Tin was a well-loved and respected figure in the banking and issuer community after a long career in the public sector debt markets.

"John was one of the most popular and accomplished people not just on our own trading floor, but across the public sector capital markets industry," said Troy Rohrbaugh, head of macro markets at JP MORGAN, in a statement.

"We will deeply miss his relentless positivity, and the sheer energy that he brought to colleagues, clients and friends alike. Our heartfelt condolences go to his family, and to all those who had the pleasure of knowing him."

His enthusiasm and strong work ethic were admired by his colleagues and competitors, from whom he received support during his battle with cancer.

"I can only believe that my resolve to sustain a positive outlook and keep my strong constitution intact stems from the incredible support and love from my family, friends and colleagues," he wrote in an email in March 2017 ahead of surgery.

"I've managed to reconnect friendships interrupted by the routine of life, and bring those who were near, even closer."

He said in the email: "Dare to dream, but also be brave enough to inject life into those dreams. Put yourself out there, with the trust that support will come; even when you think things are not going your way. Live brightly!!"

Despite his illness, Lee-Tin showed dedication and a strong work ethic.

"He was such a positive person as you can see from his message, and remembered even the smallest kindness for years," said Isabelle Laurent, head of funding at EBRD.

"He was warm and friendly, and had great relationships with all the SSA group as well as with the other banks in the market, which was reflected in the great atmosphere of the surf and turf dinner he would organise every year with them."

Lee-Tin worked at JP Morgan for 26 years, originally as part of Bear Stearns.

After joining the debt capital markets desk in 2004, he took over JPM's public sector capital markets group in 2011 and was a managing director, head of SSA DCM for Europe, Middle East and Africa.

He worked on many deals and helped build one of the most consistently successful SSA franchises. The bank was number two in the All international SSA league tables over recent years.

Helene Durand

"The model used to manage some specific products traded with clients in Asia led to a hedging strategy that proved to be deficient"

NATIXIS TAKES A HIT ON DERIVATIVES TRADES, P19

JP Morgan tops 2018 fees; Bank of China gains

GLOBAL INVESTMENT BANKING FEES

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	JP Morgan	4,188	7,019.0	6.8
2	Goldman Sachs	2,602	6,389.9	6.2
3	Morgan Stanley	3,321	5,123.5	5.0
4	BofA Merrill Lynch	3,928	4,952.4	4.8
5	Citigroup	3,649	4,614.8	4.5
6	Credit Suisse	2,097	3,293.9	3.2
7	Barclays	2,700	3,122.9	3.0
8	Deutsche Bank	2,351	2,532.5	2.5
9	Wells Fargo & Co	2,953	2,083.7	2.0
10	HSBC	2,958	1,988.0	1.9
11	Mizuho Financial	3,395	1,944.3	1.9
12	RBC CM	2,189	1,944.2	1.9
13	UBS	1,087	1,709.3	1.7
14	BNP Paribas	2,212	1,647.8	1.6
15	Bank of China	2,402	1,566.1	1.5
16	Sumitomo Mitsui	2,977	1,551.4	1.5
17	MUFG	2,554	1,525.6	1.5
18	Jefferies	907	1,460.0	1.4
19	Lazard	290	1,293.4	1.3
20	TD Securities	1,667	1,009.2	1.0
	Total	53,676	102,598.4	

JP MORGAN retained its top spot for fees from investment banking last year and increased its market share, thanks to leading positions in the United States and Europe and bond underwriting and syndicated loans.

GOLDMAN SACHS kept second place for global fees from M&A advisory, debt and equity underwriting and syndicated lending, and **MORGAN STANLEY** moved up to third from fourth in 2017, according to data from Refinitiv.

Other banks moving up the rankings last year included **HSBC**, **MIZUHO FINANCIAL GROUP**, **BANK OF CHINA** and **TD SECURITIES**. Banks slipping down the rankings and losing market share included **BANK OF AMERICA MERRILL LYNCH**, **RBC CAPITAL MARKETS** and **UBS**, the data showed.

Overall fees from M&A, DCM, ECM and syndicated lending totalled US$102.6bn last year, down 4% from the year before. While debt and equity underwriting fee income fell, M&A activity jumped last year to offset the fall elsewhere.

JP Morgan bought in US$7bn in fees from 4,188 deals to give it a 6.8% market share of overall global fees, up 33bp from the year before, according to the Refinitiv data.

Goldman brought in fees of US$6.4bn for a market share of 6.2%, up 39bp, while Morgan Stanley gained 10bp of market share to 5%. BAML's market share dipped 38bp to 4.8% and Citigroup's share of 4.5% was down 35bp.

HSBC and Mizuho each moved up two places in the global rankings to 10th and 11th, respectively. Bank of China moved up to 15th from 18th on the back of a market share of 1.5%, up 28bp from 2017. Bank of China topped the rankings for fees in Asia.

Steve Slater

AMERICAS INVESTMENT BANKING

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	JP Morgan	2,972	4,666.7	9.1
2	Goldman Sachs	1,559	4,170.4	8.1
3	BofA Merrill Lynch	2,979	3,689.3	7.2
4	Morgan Stanley	1,680	3,317.8	6.5
5	Citigroup	2,173	2,854.9	5.6
6	Barclays	1,633	2,045.7	4.0
7	Wells Fargo	2,771	1,937.1	3.8
8	Credit Suisse	1,209	1,919.4	3.7
9	RBC CM	1,790	1,598.4	3.1
10	Deutsche Bank	1,073	1,321.5	2.6
	Total	19,694	51,246.5	

ASIA-PACIFIC & JAPAN INVESTMENT BANKING

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Bank of China	2,244	1,476.9	5.8
2	Mizuho Financial	2,220	1,241.9	4.9
3	Sumitomo Mitsui	2,138	1,038.7	4.1
4	Morgan Stanley	1,163	882.9	3.5
5	Goldman Sachs	499	823.8	3.2
6	Citic	2,645	772.5	3.0
7	JP Morgan	317	670.3	2.6
8	Citigroup	657	666.9	2.6
9	MUFG	1,284	633.0	2.5
10	Nomura	1,179	610.0	2.4
	Total	22,755	25,457.7	

EMEA INVESTMENT BANKING

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	JP Morgan	897	1,680.7	6.5
2	Goldman Sachs	551	1,391.2	5.4
3	Citigroup	828	1,093.3	4.2
4	Barclays	775	962.6	3.7
5	HSBC	1,094	948.1	3.7
6	Morgan Stanley	483	922.3	3.6
7	BNP Paribas	1,072	916.1	3.5
8	BofA Merrill Lynch	580	880.7	3.4
9	Deutsche Bank	774	833.8	3.2
10	Credit Suisse	558	821.9	3.2
	Total	19,694	51,246.5	

GLOBAL BONDS

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	JP Morgan	1,946	1,724.5	6.4
2	BofA Merrill Lynch	1,800	1,510.9	5.6
3	Citigroup	2,026	1,365.4	5.0
4	Goldman Sachs	1,264	1,246.7	4.6
5	Barclays	1,545	1,076.1	4.0
6	Morgan Stanley	2,176	1,045.8	3.9
7	HSBC	1,895	955.5	3.5
8	Credit Suisse	1,104	928.2	3.4
9	Wells Fargo	1,577	834.7	3.1
10	Deutsche Bank	1,381	824.2	3.0
	Total	26,969	27,118.0	

GLOBAL EQUITIES

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	JP Morgan	389	1,563.1	8.2
2	Goldman Sachs	373	1,550.8	8.2
3	Morgan Stanley	445	1,531.4	8.1
4	BofA Merrill Lynch	273	917.9	4.8
5	Citigroup	330	908.9	4.8
6	Credit Suisse	243	716.5	3.8
7	UBS	192	535.2	2.8
8	Deutsche Bank	178	520.3	2.7
9	Jefferies	171	396.8	2.1
10	Barclays	181	379.3	2.0
	Total	5,500	19,007.1	

GLOBAL LOANS

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	JP Morgan	1,536	1,459.2	6.0
2	BofA Merrill Lynch	1,666	1,408.8	5.8
3	Bank of China	517	1,046.3	4.3
4	MUFG	1,704	1,036.8	4.3
5	Citigroup	1,068	939.2	3.9
6	Mizuho Financial	1,204	938.3	3.9
7	Wells Fargo	1,197	850.2	3.5
8	Sumitomo Mitsui	1,311	768.9	3.2
9	Goldman Sachs	586	765.3	3.1
10	Barclays	797	753.3	3.1
	Total	11,193	24,340.9	

1/1/2018 to 31/12/2018
Source: Refinitiv

India's SBI to raise funds for growth – CFO

STATE BANK OF INDIA is looking to raise billions of dollars of equity and debt to keep pace with rebounding credit growth and a recovery in the Indian banking sector, its chief financial officer said.

SBI is working on an institutional share placement that could raise as much as Rs200bn (US$2.8bn), and last week hired banks to sell up to US$1.2bn of offshore bonds.

Prashant Kumar, who took over as CFO in September, told IFR in an interview that SBI's forthcoming share placement would allow the bank to maintain double-digit credit growth next year.

"We estimate credit growth of 12%–13% in the financial year that ends on March 31 2020 without compromising on quality of credit," Kumar said. SBI expects credit growth in FY 2019 to be around 14%, up sharply from 4.9% in 2018.

"We are giving out loans to public sector companies such as National Highways Authority of India and Power Finance Corp," Kumar said. "We have seen an improvement in credit demand from state-owned companies."

SBI's stock price has rebounded by 17% from the lows of late October, but bankers say a Rs200bn qualified institutional placement will be a stretch even for India's biggest bank.

SBI was likely to raise up to Rs100bn through the QIP given the difficult equity capital market conditions, a person with knowledge of the transaction said. Although the benchmark S&P BSE Sensex Index rose 7% in 2018, ECM activity has been muted on concerns over the health of the financial sector after Infrastructure Leasing and Financial Services defaulted last year.

"The market is not the same as when SBI raised Rs150bn at a zero percent discount," an ECM banker said. That 2017 QIP remains the biggest ever in the Indian market.

Kumar said the size of the QIP will depend on market conditions, but he said the financial sector has turned a corner after recent problems. "The recognition of non-performing assets is done and all the public sector banks are on a recovery path," he said.

"The system is witnessing a good credit growth and banks which do not have strong liability franchise are raising resources to fund credit growth."

DEBT FUNDING

India has struggled to restore investor confidence in its public sector banks after years of ill-disciplined – and, in some cases, fraudulent – lending led to a spike in bad loans and left many state lenders dangerously short of capital.

A slumping rupee, local rate rises and a liquidity squeeze following the IL&FS default complicated efforts to recapitalise the sector, but SBI has done its part to reopen the market for bank capital as conditions have eased.

SBI sold Rs60.66bn of Basel III-compliant Additional Tier 1 bonds in two tranches, at 9.37% in November and 9.56% at the end of December, taking advantage of lower yields as market sentiment improved. The QIP and AT1 issues will help maintain its capital adequacy ratio at current levels, Kumar said. SBI reported a CAR of 12.6% at the end of September.

Besides SBI, private lenders such as ICICI Bank raised Rs11.4bn from AT1 bonds. HDFC Bank and Axis Bank have also raised a total of Rs90bn from long-term infrastructure bonds.

India's biggest public-sector bank has also mandated *Bank of America Merrill Lynch, Barclays, Citigroup, HSBC, JP Morgan, Mizuho, MUFG, SBI Capital Markets* and *Standard Chartered* for a dollar bond offering under 144A/Reg S format, according to sources close to the plans.

SBI has board approval to raise up to US$1.2bn from offshore bonds via its foreign branches. The bank is yet to confirm the mandate.

RBI RELIEF

SBI said the worst part of the credit cycle is behind it. The state-owned lender reported a gross bad loan ratio of 9.95% at the end of September, down from 10.9% six months earlier, and has set a target of below 8% by the end of March.

The appointment of a new central bank governor in December has improved SBI's chances of meeting that goal. Reserve Bank of India chief Shaktikanta Das on January 2 allowed lenders to carry out a one-off restructuring of small-business loans of up to Rs250m, in the name of supporting companies that were hurt by the implementation of a goods and services tax and demonetisation.

The new rules will allow banks to revise the terms of stressed SME loans before they become non-performing, therefore avoiding the need to set aside additional provisions. That is good news for SBI, which had a bad loan ratio of 10.2% at the end of September for its SME portfolio, which makes up 15% of the loan book.

Krishna Merchant, S Anuradha

UK sets out plans for living wills

The **BANK OF ENGLAND** and the **PRUDENTIAL REGULATION AUTHORITY** have set out the final major plank of the UK's bank resolution regime, launching a consultation that will require larger lenders to publicly disclose their so-called "living wills".

The proposed Resolvability Assessment Framework seeks to implement a credible resolution framework while building on the progress made by the UK since the financial crisis.

Banks across the world have spent recent years bolstering their capital bases and building loss-absorbing debt. Having a credible plan for how to dismantle a firm if it hits trouble is another key part of how regulators hope future failures can be managed.

The RAF places responsibility on banks to demonstrate their preparedness for resolution and show how any risks would be addressed, not just to the BoE but also publicly.

The BoE said increased transparency should help market participants make more informed investment decisions, based on accurate pricing of resolution risks.

Lenders will be required to submit assessments of their resolution preparations to the PRA by September 2020 and publicly disclose a summary of the assessments by June 2021. This would apply to UK banks and building societies with at least £50bn in retail deposits.

The costs of implementing the proposals for the affected firms, estimated at between £3.8m and £6.3m per year, are "proportionate" to the benefits to the broader economy, the PRA said. The benefits of having a credible resolution regime in place are estimated at between £6.1bn and £18.3bn per year.

Helene Durand

“The recognition of non-performing assets is done and all the public sector banks are on a recovery path”

STATE BANK OF INDIA CFO PRASHANT KUMAR, P21

Noble wraps up restructuring in Bermuda

Commodities trader NOBLE GROUP wrapped up its long-running and contentious debt restructuring on December 20, after it was forced to turn to Bermuda to complete the transaction.

After the Singapore authorities blocked it from relisting its shares on the Singapore Exchange, Noble asked the Supreme Court of Bermuda to implement the US$3.5bn debt restructuring in line with its previously proposed scheme.

Despite the last-minute switch – which means shares in the restructured entity will be unlisted, rather than traded on the SGX – Noble’s debt-to-equity swap marks the culmination of more than a year of negotiations between creditors, shareholders and management that had at several times come close to collapse.

Following the restructuring, senior creditors now hold 70% of shares in the new Noble entity, existing shareholders hold 20% and the company’s management holds 10%.

Noble’s US$3.5bn of outstanding bonds and loans have been cancelled, with creditors also receiving US$1.57bn of new notes at various levels in the revamped capital structure. Creditors who agreed to provide new money for trade finance and hedging purposes ended up with a better deal.

“Between the new US$800m trade finance and hedging facilities and a substantial deleveraging of the balance sheet, New Noble is well positioned to play a leading role in the Asian hard commodities business going forward,” said Joseph Swanson, senior managing director at *Houlihan Lokey*, which advised an ad hoc group of creditors.

“In their capacity as new shareholders of the company, the ad hoc group look forward to working with the company to help it accomplish its goals.”

PJT Partners, *Comprador* and *Moelis* were financial advisers to Noble.

BERMUDA MOVE

Singapore’s refusal to allow Noble to transfer its listing to the new entity, announced on December 6, had threatened to scupper the entire process, jeopardising months of work. Noble had already won approval for its scheme of arrangement in November from courts in Bermuda (where it is incorporated) and the UK (its base after the restructuring).

Instead of going into administration, which would have raised further questions about its ability to remain a going concern, Noble was able to press ahead with the workout under provisional liquidation in Bermuda.

Under Bermudan law, the Supreme Court can place companies into provisional liquidation to provide a stay from creditors, allowing a restructuring scheme to be implemented. Once a scheme is implemented successfully, proceedings can be discontinued without ever entering full liquidation.

QUESTIONS REMAIN

The restructuring gives Noble a shot at recovery as a much smaller entity focused mainly on coal and LNG, but questions over its future linger. The restructured group still needs to pay fees and interest on the revamped debt, and faces an ongoing probe in Singapore.

The scheme halved Noble’s debt load, but will lower its interest burden by only 17%, after the first 18 months in which interest payments are lower. Some debt is payment in kind, so coupons will be accrued and added to the principal.

Senior creditors who provided a new trade finance facility earned an additional fee, while a group of perpetual securities holders also received a sweetened deal for providing a trade finance facility.

In its quarterly financial statement published in November, Noble said restructuring expenses, including fees on interim trade finance facilities and payments to the ad hoc group of senior creditors, lawyers and advisers, totalled US$146.6m for the first nine months of 2018.

Singapore authorities in November announced an investigation into Noble’s previous accounting practices, and said in December the company’s submissions under the probe showed the net asset value of the new Noble entity could be 45% lower than previously reported.

Daniel Stanton

Australia warns on ECM allocations

The Australian securities regulator has warned equity underwriters to steer clear of conflicts of interests in capital raisings and recommended improvements in how share allocation decisions are made.

The Australian Securities and Investments Commission looked into 300 IPOs and 200 equity placements carried out in the last four years and found that shares sold in new listings gained an average of 11.6% on their debut while those sold in a placement rose an average of 5.4% one day after the transaction.

“That’s 5.4% that should have gone arguably to the issuer not into the hands of institutional investors, ie, the brokers’ clients,” ASIC commissioner Cathie Armour told Reuters.

In its 64-page report into allocations in equity-raising transactions, ASIC highlights potential areas of conflict of interest in allocation decisions.

For example, many mid-sized stockbrokers were found to have allocated new shares to employees, which might present a risk of conflict of interest to both the issuers and investors.

“Where personal interests take precedence over client interests this may reduce the allocation available for clients and result in poor advice or outcomes for clients,” the report says.

OVERLY EXPRESSIVE LANGUAGE

The report calls on underwriters to avoid the use of overly expressive language such as “heavily oversubscribed” in messages to investors indicating demand or intended pricing during bookbuilding.

ASIC said it has taken action in some cases of “poor conduct relating to allocations and messages provided to investors”, for instance regarding the handling by Goldman Sachs Australia of an A$853m block trade in Healthscope shares in 2015. The US bank signed an enforceable undertaking in July 2018 for overstating the level of demand in the deal and made a A$0.5m community benefit payment.

The regulator said it intends to follow up this report with industry consultation on market practices in debt capital market transactions as well.

It will seek harsher punishments, including possible criminal sanctions, for stockbroking houses that benefit from capital raisings unlawfully, Reuters reported.

The report adds further pressure on the country’s banks and financial institutions, which are already under scrutiny from a Royal Commission for widespread instances of financial malpractice. In June, federal prosecutors also charged Australia & New Zealand Banking Group, Citigroup and Deutsche Bank, as well as six individual bankers, with criminal cartel charges over a 2015 share placement.

Candy Chan

EBA bats HSBC DISCO ball back to UK

The **EUROPEAN BANKING AUTHORITY** has said UK regulators should have the final call on whether certain **HSBC** legacy securities, known as DISCOs, can count as fully eligible Tier 2 debt following their reclassification by the bank last year.

A group of asset managers holding some of the DISCO bonds (Discount Perpetual Floating Rate Securities) have wanted clarification on HSBC's decision in May to reclassify the instruments as eligible Tier 2 capital under the EU capital adequacy regime.

The total amount outstanding of the bonds, previously only partially recognised as Tier 2 capital under transitional arrangements, is just under US$2bn. HSBC's move scuppered hopes the bank would either call the bonds or conduct a liability management exercise, which led to a slump in prices.

The EBA published its response at the end of last year to letters received from the group of investors outlining their concerns, including uncertainty over whether the DISCOs are intended to be counted among debt capable of being bailed in as part of a resolution strategy.

EBA Chairman Andrea Enria said the EBA would inform the European Securities and Markets Authority of concerns regarding HSBC's alleged lack of transparency on the DISCOs' potential treatment in resolution or insolvency.

But he said the final decision on the assessment of their compliance with the CRR Tier 2 eligibility criteria, including their eligibility as MREL liabilities, lies with the Prudential Regulation Authority and the Bank of England's Resolution Directorate.

"Whether instruments will count towards the MREL requirements of the bank may depend on specific criteria in the MREL policy of the Bank of England and the resolution plan, including, for example, the identification of resolution entities and whether the Bank of England's policy would recognise as eligible issuances made from non-resolution entities," Enria wrote.

The letter also said while it is unusual for formerly grandfathered securities such as the DISCOs to be reclassified as fully eligible instruments, this is not prohibited by the Capital Requirements Regulation.

Alice Gledhill

Deutsche Bank has no need for help – chairman

DEUTSCHE BANK is strong and its turnaround strategy is bearing fruit, Chairman Paul Achleitner said, ruling out the need for state aid and playing down speculation the lossmaking German bank should merge.

In an interview with the Frankfurter Allgemeine Sonntagszeitung, Achleitner said he would not step down after a tough year in which Deutsche replaced its chief executive, was targeted in money laundering probes, and saw its share price halve.

"Let's look at the facts: Deutsche Bank has a very strong capital basis compared to its competitors," he told the Sunday paper, adding that new CEO Christian Sewing was getting costs under control.

Deutsche hopes to return to the black in 2018 after three consecutive years of losses. But there has been lingering speculation it could merge with domestic rival Commerzbank, be a target for a stronger rival, or need state support.

Achleitner, asked whether Deutsche may need financial support, said: "This scenario will not come about."

A week later, **UBS** chairman Axel Weber said the Swiss bank was not looking to merge with any other bank, including Deutsche.

"There is a lot of talk in Europe and the United States about mergers but nothing happens. These are all simulation games," Weber said in an interview in the Tages-Anzeiger newspaper, published last week.

Asked specifically about whether UBS was running simulations about Germany's biggest lender, Weber said: "Every company has to think things over, but it makes little sense to consider mergers at group level now. These paralyse companies for years.

"UBS is much stronger today than before the financial crisis, but combining with another bank – no matter which – would be premature at this moment. We want to grow primarily organically and we surely have to be able to walk before we want to run."

Weber, a former Bundesbank chief who joined UBS in 2012, said he could imagine remaining in his post until 2022.

Douglas Busuine

IN BRIEF

KENGETER PAYS UP

The Frankfurt prosecutor's office has dropped an insider trading case against former **UBS** banker and **DEUTSCHE BOERSE** CEO Carsten Kengeter in exchange for payments of almost €5m (US$5.7m).

Prosecutors investigated Kengeter after he purchased Deutsche Boerse shares worth €4.5m in December 2015 as part of a management remuneration plan awarded two months before the German company announced it was in talks to combine with London Stock Exchange. Frankfurt prosecutors had sought to establish whether the share purchase constituted share trading by someone privy to insider information.

Deutsche Boerse has denied wrongdoing and a spokesman for Kengeter, who has not been charged with any crime, reiterated that the former CEO denies wrongdoing. Kengeter resigned in October 2017. He previously ran UBS's investment bank and left the Swiss bank in February 2013.

The Frankfurt prosecutor's office said its case had been dropped in exchange for a €250,000 charitable donation. A further €4.5m payment equivalent to the value of Kengeter's stock purchase was confiscated by a Frankfurt court.

GOLDMAN CHARGES

Malaysia filed criminal charges against **GOLDMAN SACHS** and two of the US bank's former employees in connection with a corruption and money laundering probe at state fund 1MDB. Goldman has been under scrutiny for its role in helping raise US$6.5bn through three bond offerings for 1MDB, which is the subject of investigations in at least six countries.

Malaysia said criminal charges were filed against former bankers Tim Leissner and Roger Ng, former 1MDB employee Jasmine Loo and financier Jho Low in connection with the bond offerings.

"The charges arise from the commission and abetment of false or misleading statements by all the accused in order to dishonestly misappropriate US$2.7bn from the proceeds of three bonds issued by the subsidiaries of 1MDB, which were arranged and underwritten by Goldman Sachs," its attorney general said.

Goldman said "these charges are misdirected" and the bank continues to cooperate with authorities. The bank has consistently denied wrongdoing.

CHINA CUTS

China's central bank has cut the amount of cash that banks have to hold as reserves for the fifth time in a year, freeing up US$116bn for new lending as it tries to reduce the risk of a sharp economic slowdown.

The cut comes amid mounting worries about the health of the world's second-largest economy, which is facing both slowing demand at home and punishing US tariffs on its exports.

FRONT STORY FINANCIALS

A new year but not a new start

Issuers steer clear of euro senior in opening sessions

No discernable shift in backdrop at start of new year

Issuance of euro-denominated unsecured financial paper failed to kick off last week as market conditions remained fragile, making the start of 2019 look much like the back-end of the outgoing year.

While covereds tend to dominate the opening sessions, the first week of 2018 nonetheless saw banks bring a combined €4.25bn of senior paper, one-third of that week's total euro financial supply.

But the sea-change in backdrop over the past 12 months has left both issuers and investors on edge. While at least one senior borrower came close to issuing last Thursday, the weakness in both credit and equity markets put paid to a deal.

Borrowers place great importance on a strong start to the year and like to frontload issuance, with many aiming to achieve at least 60% of their funding plan over the first quarter.

"If issuers are not able to come in January, they run out of time very quickly given they go into their closed period and there's not a big window after results given you have Brexit in March," said a senior FIG debt capital markets banker.

"So if issuers can't do a lot of funding in January, it means that they have to play catch up for the rest of the year and they're not necessarily comfortable with that scenario. So there is a level of unease among the issuer community given how the market opened in 2019."

BNP PARIBAS picked the Yankee market for its first trade of the year, but that option is not available to every European issuer. Bankers were hopeful a window would open for euros in the first full week of the year, though the backdrop remains challenging.

In the eyes of one syndicate official at least, conditions look "exactly the same" as late 2018, when macro and geopolitical risk thwarted euro benchmark issuance throughout December.

"Every year we're guilty of looking into the next year as a panacea of great issuance conditions, and frankly it doesn't work like that," he said.

SOFTLY, SOFTLY

It is now more than five weeks since the last benchmark euro, Banco de Sabadell's €500m 10NC5 Tier 2. With no recent pricing comparables, the sell side will need to tread even more carefully.

One borrower considering senior last week – a solid European name – had been willing to start some 30bp wide of fair value with the aim of landing 10bp to 15bp back.

"Adding the fact of little trading activity during the past two weeks means as well, the market and syndicate will have to go through a bit of a price finding process to assess where spreads really are," a global head of syndicate wrote in a note.

"Better to do that into a firmer market environment rather than doing it on a 'red day'."

Issuers will also need to take care not to oversize deals to keep investors onside. Accounts have expressed a preference for smaller trades given they tend to perform better and avoid swamping the market, the senior FIG DCM banker said.

TAKING STOCK

A cause for concern is that the absence of supply has not helped steady spreads. Far from it in fact, with the iBoxx EUR banks senior bail-in index at 119bp over swaps at last Wednesday's close, around 8bp and 35bp wider than its mid-December and mid-November levels respectively.

The iBoxx EUR banks subordinated index was some 50bp wider than in mid-November, at swaps plus 200bp.

The upcoming vote in the UK parliament on Prime Minister May's Brexit deal with Brussels is doing little to strengthen any sense of conviction, at least in relation to UK issuers.

While NATIONWIDE BUILDING SOCIETY bagged a successful debut £1bn Sonia-linked covered floater on Thursday, it remains to be seen whether UK institutions attempt to bring higher beta trades before the vote, which is slated for the week of January 14.

"It feels as if pre-blackout it's going to be two to three weeks of lower beta stuff," said a FIG DCM head.

"Maybe a deal goes through in Westminster and there is a massive risk-on for UK assets, in which case we'll be flushing through a lot of our [mandates]."

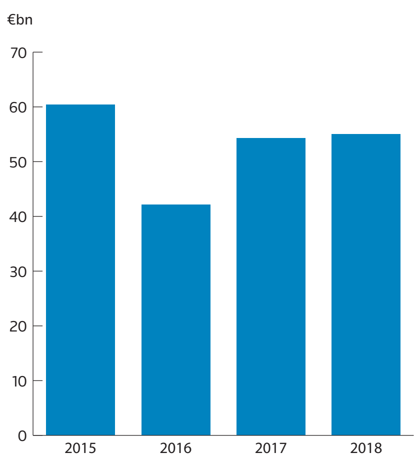
But borrowers – whether in the UK or on the Continent – cannot hold out forever.

The supply hiatus has left an overhang from last year that needs to be cleared, in addition to the debt that banks and insurers would typically raise in January. Euro financial issuance has reached €50bn to €60bn in the past four years with the exception of 2016, according to IFR data.

Alice Gledhill

STRONG PRECEDENT

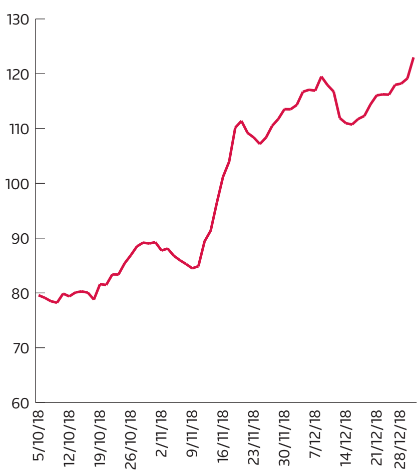
EURO FIG ISSUANCE, JANUARY 2015-2018



Source: IFR data

LEAKING WIDER

iBOXX EUR BANKS SENIOR BAIL-IN INDEX



Source: Refinitiv Eikon

Berkshire garners cheap 30-year money amid volatility

› Follows same short-end FRN refinancing strategy as last year

BERKSHIRE HATHAWAY led the year's first surge of issuance in the US high-grade market last week as it locked in low 30-year yields while it could, despite investor demands for big new-issue concessions in what remains a highly volatile market.

The conglomerate run by Warren Buffett picked a 30-year unsecured fixed-rate note to refinance floating-rate paper that matures on January 11. The issuer followed the same strategy when it was last in the market in August.

The US$1.25bn fixed offering may have been an opportunistic play after the yield on the 30-year Treasury hit 2.90% last week - its lowest level since January 2018.

"It's probably a view that Treasury rates have gotten overcooked," said Scott Kimball, fixed income portfolio manager at BMO Global Asset Management.

The Treasury curve has flattened, suggesting investors are at odds with the Federal Reserve's view of the economy and its indication to raise rates twice this year.

Mixed economic data has only complicated the debate about the direction of rates in 2019.

Weaker manufacturing data disappointed the market on Thursday, but a surprisingly strong nonfarm payroll figure on Friday suggested the US economy is still firing on all cylinders.

"People are finding jobs at a better rate than a year ago, and it's difficult to reconcile that with this low of a curve," said Kimball. "Floating-rate notes have also been beaten up recently while fixed-rate debt looks rich to us."

Berkshire Hathaway hit the market on a busy day in the high-grade market - the first day the asset class had seen issuance since December 13.

Five other borrowers were in the market on Thursday including two auto firms, FORD MOTOR CREDIT COMPANY and TOYOTA MOTOR CREDIT COMPANY, and two utilities - DUKE ENERGY OHIO and ENTERGY TEXAS.

BNP PARIBAS also brought the first of many expected Yankee bonds.

The issuers sold a combined US$10.1bn, more than was seen during the entire month of December, according to IFR data.

Conditions, however, were not ideal.

The deal announcements came as the US IG CDX index, a barometer of risk sentiment in corporate bonds, widened over 3bp, according to Tradeweb, after the ISM US manufacturing index posted its biggest drop in more than a decade.

"There are a lot of other worries out there. This is causing investors to price in a pretty good risk premium," said Matt Eagan, a portfolio manager in the fixed-income group at Loomis Sayles.

"The market hasn't been very receptive in terms of an entry point for issuers, but Berkshire Hathaway is a good first mover as it has been pretty insulated from the volatility," said one banker.

Even so, Berkshire played it safe, offering a generous new-issue concession to start.

The banker said at IPTs of 150-155bp over Treasuries the deal offered a concession of around 25bp. "That's a lot for a Double A rated credit," said the banker.

And while the issuer's spreads may have widened only modestly compared with the broader market, Berkshire is coming at considerably wider levels than just a few months back.

In August, it sold a US$2.35bn 30-year issue from the same entity - Berkshire Hathaway Finance Corp, rated Aa2/AA - at 110bp over Treasuries. Since then, that security has widened to plus 133bp and the new US$1.25bn deal launched at plus 140bp.

"Other IG credits have widened by significantly more," said the banker.

Against that backdrop, other issuers also struggled to gain traction and were forced to pay up on deals.

Even a utility such as ENTERGY TEXAS INC was unable to move pricing in from initial price talk on its US$700m deal, launching a 10-year tranche at plus 145bp with a new-issue concession of 27bp, and a 20-year tranche at plus 160bp with a 28bp concession, based on IFR data.

"If you can get a deal done it's likely to be from more economically insulated industries like utilities, but some riskier stuff also got done and they paid a concession for that," said Greg Staples, co-head of fixed income North America at Deutsche Asset Management.

"But while they're paying a wider spread, they're also doing it off lower Treasury rates than they were a month ago."

The difficulties that borrowers face in this market were perhaps best exemplified by FORD MOTOR CREDIT, which was forced to pay up considerable concession to get its deal done on Thursday (see this section).

WEEK IN NUMBERS

2.57%

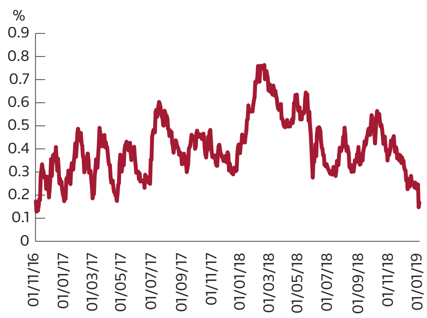
■ THE YIELD ON THE 10-YEAR TREASURY, THE LOWEST IN NEARLY 12 MONTHS AMID CONCERNS ABOUT GLOBAL GROWTH. SOME STRATEGISTS BELIEVE TREASURIES WILL CONTINUE TO RALLY THROUGH THE 2.50% LEVEL

6

■ THE NUMBER OF STERLING DEALS ANNOUNCED LAST WEEK; FIVE FROM SSA BORROWERS, THE OTHER A COVERED BOND IN SONIA FORMAT FROM NATIONWIDE

0.148%

■ THE LEVEL THAT 10-YEAR BUNDS FELL TO AT ONE POINT LAST WEEK, THE LOWEST SINCE NOVEMBER 2016, REFLECTING WEAKNESS IN EQUITIES AND OVERALL RISK SENTIMENT



2.5pts

■ THE FALL IN THE BOND PRICE OF TESLA'S 5.3% 2025s TO AROUND 85 BID AFTER THE FIRM ANNOUNCED FOURTH QUARTER PRODUCTION FIGURES THAT MISSED ANALYST EXPECTATIONS

43

■ THE BID PRICE ON BELGIAN MINING COMPANY NYRSTAR'S 8.5% SEPTEMBER 2019s IN THE WAKE OF A LATE DECEMBER DOWNGRADE BY MOODY'S TO Caa2

SSAR

EUROS

EBRD MAKES ENTRY IN EURO MARKET, CONSIDERS SONIA TRADE

The **EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT** priced its first ever euro-denominated public benchmark last Thursday, enticed by attractive funding costs and the opportunity to diversify its investor base.

The European supranational is a much more familiar face in the US dollar market, which it tends to use for its strategic benchmarks. But, just as with other issuers in 2018, the lure of the euro market proved too hard to resist.

"The economics definitely play a part for us, as we swap to floating and on-lend in floating, so if there's a significant cost differential, we won't do the more expensive transaction," said Isabelle Laurent, head of funding at EBRD.

The EBRD's €600m Green bond via *Bank of America Merrill Lynch*, *Credit Agricole* and *Morgan Stanley* priced at 13bp through mid-swaps, saving the issuer around 5bp versus where it would have done a deal in the US dollar market. The less 13bp level offered a minimal new issue concession. Books closed over €680m.

"Because we've always had a relatively small borrowing programme, in US dollars, if you're doing US$1bn, you'll often get the tighter pricing than those doing larger trades, as you get the benefit of scarcity value and the size is deemed liquid enough," Laurent said.

"In euros, bigger deals have tended to price tighter than smaller deals, which made it difficult for us, as we have a relatively small programme."

The deal kick-started EBRD's €9bn funding programme for 2019. Proceeds are earmarked to support a specific portfolio of environmentally and socially sustainable projects in five areas: energy efficiency; renewable energy; water management; waste management; and air pollution prevention and sustainable transport.

"When seeing green investors in Europe, many of them expressed a clear preference for euros that we hadn't yet fulfilled," Laurent said.

Lack of competing supply meant the issuer could get investors' full focus ahead of what is expected to be two bumper weeks of supply in euros.

"Doing the deal now meant that we could get investors' focus," Laurent said.

"Given it was our first euro, it was important to be able to have sufficient focus and allow investors enough time to look at the deal."

Tricky conditions in the US dollar market, where there were no benchmark SSA issues last week, also meant that the issuer preferred the euro option.

"The US market is very difficult at this point," Laurent said.

"Spreads have come down a lot and it feel as if there is a lot of uncertainty with the whole US budget discussion and shutdown in government as well as the US/China trade issues, so the euro and sterling seem be where there's lot of focus at the moment."

A partial US government shutdown hit the two-week mark last Friday, with President Donald Trump and congressional leaders prepared to meet on Friday over ways to break an impasse pitting his demand for building a border wall against Democrats' call for alternative security measures, Reuters wrote.

While it eschewed US dollars this time, EBRD is hoping to return to the currency.

"We would like to do a US dollar Green [bond] at some point," Laurent said.

"There wasn't a right moment in 2018 to do it, as we were either doing a benchmark or there was a potential clash with other issuers, or the market didn't feel quite right."

The issuer could also break new ground in sterling.

"We have not done a Sonia-linked trade yet and it's definitely something we would like to do, although our lending is still Libor-linked," Laurent said.

"However, the market has grown and what the EIB did in opening the market was incredibly important. There are also many banks pushing this hard, which is very positive, and a growing number are focused on the product for managing their liquidity."

ALL INTERNATIONAL BONDS (ALL CURRENCIES)
BOOKRUNNERS: 1/1/2018–31/12/2018

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	JP Morgan	1,000	263,722.01	7.3
2	Citigroup	964	243,263.19	6.7
3	HSBC	971	220,082.59	6.1
4	BAML	774	207,871.42	5.7
5	Barclays	719	205,723.50	5.7
6	Goldman Sachs	585	178,757.20	4.9
7	Deutsche Bank	704	162,301.49	4.5
8	Morgan Stanley	592	145,621.69	4.0
9	BNP Paribas	621	142,626.35	3.9
10	Credit Suisse	527	120,841.47	3.3
	Total	**5,529**	**3,622,574.77**	

Including Euro, foreign, global issues. Excluding equity-related debt, US Global ABS/MBS.

Source: Refinitiv SDC code: J1

ALL BONDS IN EUROS
BOOKRUNNERS: 1/1/2018–31/12/2018

	Managing bank or group	No of issues	Total €(m)	Share (%)
1	BNP Paribas	345	79,042.26	7.1
2	HSBC	344	69,956.98	6.3
3	SG	288	67,069.83	6.0
4	Deutsche Bank	302	62,739.99	5.6
5	Credit Agricole	279	59,177.83	5.3
6	JP Morgan	246	58,438.43	5.2
7	UniCredit	284	57,520.55	5.2
8	Barclays	224	54,777.49	4.9
9	Citigroup	210	47,785.06	4.3
10	Goldman Sachs	158	43,979.09	3.9
	Total	**1,665**	**1,116,182.32**	

Including Euro-preferreds. Excluding equity-related debt, US Global ABS/MBS.

Source: Refinitiv SDC code: N1

ALL US DOLLAR FIXED-RATE GLOBALS
BOOKRUNNERS: 1/1/2018–31/12/2018

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	BAML	199	72,011.52	11.3
2	JP Morgan	194	65,751.18	10.3
3	Citigroup	171	56,729.32	8.9
4	Barclays	110	51,011.54	8.0
5	Goldman Sachs	119	48,090.77	7.6
6	Wells Fargo	123	38,115.79	6.0
7	Morgan Stanley	114	33,040.80	5.2
8	HSBC	71	30,558.70	4.8
9	Deutsche Bank	67	28,828.61	4.5
10	RBC	81	27,381.89	4.3
	Total	**402**	**635,614.61**	

Excluding equity-related debt, ABS/MBS.

Source: Refinitiv SDC code: O5

EUROPEAN SOVEREIGN BOND AUCTION RESULTS WEEK ENDING JANUARY 4 2019

Pricing date	Issuer	Size	Coupon (%)	Maturity	Average Yield (%)	Bid-to-cover
Jan 3 2019	Spain	€1.195bn	0.05	Oct 31 2021	-0.039	2.26
Jan 3 2019	Spain	€1.345bn	0.35	Jul 30 2023	0.329	1.75
Jan 3 2019	Spain	€1.997bn	1.40	Jul 30 2028	1.402	1.27
Jan 3 2019	Spain (i)	€500m	0.70	Nov 30 2033	0.752	2.94

Source: IFR

ALL INTERNATIONAL BONDS (1/1/2018–31/12/2018) COUNTRY VS TYPE OF INSTRUMENT

	All issues		Straights		FRNs		Convertibles	
	No of issues	Amount US$(m)	No of issues	Amount US$(m)	No of issues	Amount US$(m)	No of issues	Amount US$(m)
Germany	606	395,824	494	334,574	107	59,681	5	1,570
United Kingdom	423	299,067	282	193,841	138	104,892	3	334
France	360	246,837	303	216,040	50	28,361	7	2,437
Luxembourg	200	146,110	189	141,434	10	4,274	1	403
Netherlands	232	127,380	194	103,391	35	22,896	3	1,092
Spain	117	109,499	84	93,598	30	14,702	3	1,199
Italy	83	85,496	60	73,436	23	12,060	–	–
Sweden	167	67,717	125	57,034	42	10,684	–	–
Switzerland	65	70,915	48	59,759	12	8,425	5	2,732
Belgium	42	42,654	35	39,375	5	3,010	2	270
Norway	81	35,798	61	31,546	20	4,252	–	–
Finland	78	30,434	61	27,756	17	2,679	–	–
Austria	47	26,125	44	25,313	2	73	1	739
Republic of Ireland	33	28,236	26	26,018	6	2,019	1	199
Denmark	35	18,265	28	16,851	7	1,415	–	–
Portugal	10	12,120	9	12,106	1	14	–	–
Russian Federation	18	11,835	17	11,761	1	75	–	–
Turkey	12	11,144	12	11,144	–	–	–	–
Greece	7	5,539	6	5,501	1	38	–	–
Kazakhstan	8	5,549	8	5,549	–	–	–	–
Romania	3	5,650	3	5,650	–	–	–	–
Slovenia	3	3,397	3	3,397	–	–	–	–
Poland	3	3,014	3	3,014	–	–	–	–
Slovak Republic	4	2,378	4	2,378	–	–	–	–
Cyprus	2	1,996	1	1,746	–	–	1	250
Hungary	4	1,972	4	1,972	–	–	–	–
Guernsey	9	1,905	6	1,152	2	739	1	14
Ukraine	2	3,334	2	3,334	–	–	–	–
Andorra	1	1,230	1	1,230	–	–	–	–
Latvia	2	1,212	2	1,212	–	–	–	–
Iceland	10	1,268	6	1,119	4	149	–	–
Croatia	1	868	1	868	–	–	–	–
Jersey	6	1,177	3	698	2	478	1	1
Lithuania	2	686	2	686	–	–	–	–
Bulgaria	3	697	3	697	–	–	–	–
Montenegro	1	607	1	607	–	–	–	–
Belarus	1	600	1	600	–	–	–	–
Macedonia	1	592	1	592	–	–	–	–
Czech Republic	1	564	1	564	–	–	–	–
Azerbaijan	1	497	1	497	–	–	–	–
Georgia	1	303	1	303	–	–	–	–
Isle of Man	2	910	2	910	–	–	–	–
Albania	1	576	1	576	–	–	–	–
Estonia	1	272	1	272	–	–	–	–
Malta	1	185	–	–	1	185	–	–
Europe	**2,690**	**1,812,435**	**2,140**	**1,520,098**	**516**	**281,098**	**34**	**11,239**
USA	1,320	922,320	1,021	749,463	296	172,055	3	801
Canada	230	145,382	153	112,339	58	31,497	19	1,547
North America	**1,550**	**1,067,702**	**1,174**	**861,802**	**354**	**203,552**	**22**	**2,348**
Australia	106	49,461	77	34,349	26	14,808	3	304
New Zealand	11	3,425	9	3,297	2	128	–	–
Papua New Guinea	1	500	1	500	–	–	–	–
Australasia	**118**	**53,386**	**87**	**38,146**	**28**	**14,936**	**3**	**304**
Mexico	21	21,448	20	20,680	1	768	–	–
Brazil	22	13,310	22	13,310	–	–	–	–
Argentina	6	12,477	4	10,188	1	1,487	1	802
British Virgin Islands(UK)	9	5,955	9	5,955	–	–	–	–
Chile	8	5,654	8	5,654	–	–	–	–
Bermuda	8	5,134	6	4,744	1	102	1	288
Colombia	5	4,546	5	4,546	–	–	–	–
Cayman Islands	10	3,835	8	3,046	2	789	–	–
Venezuela	8	3,288	8	3,288	–	–	–	–

ALL INTERNATIONAL BONDS (1/1/2018–31/12/2018) COUNTRY VS TYPE OF INSTRUMENT CONTINUED

	All issues		Straights		FRNs		Convertibles	
	No of issues	Amount US$(m)	No of issues	Amount US$(m)	No of issues	Amount US$(m)	No of issues	Amount US$(m)
Dominican Republic	2	3,118	2	3,118	–	–	–	–
Ecuador	1	3,000	1	3,000	–	–	–	–
Panama	5	2,763	5	2,763	–	–	–	–
Bahamas	5	2,131	3	852	2	1,280	–	–
Uruguay	1	1,728	1	1,728	–	–	–	–
Peru	3	1,344	3	1,344	–	–	–	–
Honduras	4	601	4	601	–	–	–	–
Paraguay	1	530	1	530	–	–	–	–
Trinidad and Tobago	2	525	1	400	1	125	–	–
Puerto Rico	1	300	1	300	–	–	–	–
Aruba	1	125	1	125	–	–	–	–
LatAm/Caribbean	**123**	**91,812**	**113**	**86,172**	**8**	**4,550**	**2**	**1,090**
United Arab Emirates	53	22,513	44	21,128	7	585	2	800
Saudi Arabia	11	21,952	11	21,952	–	–	–	–
Qatar	32	18,736	12	15,138	20	3,598	–	–
Oman	5	10,427	5	10,427	–	–	–	–
Israel	10	9,522	9	9,122	1	400	–	–
Bahrain	2	2,000	2	2,000	–	–	–	–
Lebanon	1	300	1	300	–	–	–	–
Middle East	**114**	**85,449**	**84**	**80,066**	**28**	**4,583**	**2**	**800**
China	336	144,649	260	103,275	63	34,925	13	6,449
Japan	159	98,339	102	75,189	34	17,463	23	5,687
Hong Kong	128	47,735	114	41,681	12	4,978	2	1,077
South Korea	123	35,552	86	26,313	35	8,735	2	505
Philippines	63	25,889	51	24,099	12	1,790	–	–
Indonesia	29	21,841	29	21,841	–	–	–	–
Singapore	48	17,610	31	12,562	16	4,548	1	500
India	21	7,201	20	7,001	1	200	–	–
Thailand	11	4,991	8	4,391	2	400	1	200
Sri Lanka	2	3,000	2	3,000	–	–	–	–
Malaysia	12	1,910	8	1,189	3	400	1	321
Taiwan	5	944	2	229	–	–	3	715
Kuwait	2	500	2	500	–	–	–	–
Mongolia	1	495	1	495	–	–	–	–
Vietnam	2	450	–	–	–	–	2	450
Cambodia	1	298	1	298	–	–	–	–
Maldives	1	100	1	100	–	–	–	–
Laos	1	49	1	49	–	–	–	–
Myanmar (Burma)	1	3	–	–	–	–	1	3
Asia-Pacific	**946**	**411,556**	**719**	**322,212**	**178**	**73,439**	**49**	**15,906**
Ivory Coast	27	8,927	25	8,825	2	102	–	–
South Africa	7	7,167	6	7,120	1	47	–	–
Egypt	4	7,108	3	6,963	1	145	–	–
Nigeria	2	5,368	2	5,368	–	–	–	–
Angola	2	3,513	2	3,513	–	–	–	–
Senegal	1	2,240	1	2,240	–	–	–	–
Ghana	1	2,000	1	2,000	–	–	–	–
Kenya	1	2,000	1	2,000	–	–	–	–
Uganda	1	800	1	800	–	–	–	–
Tunisia	1	563	1	563	–	–	–	–
Africa	**47**	**39,687**	**43**	**39,393**	**4**	**294**	**–**	**–**
Total	**5,588**	**3,562,026**	**4,360**	**2,947,889**	**1,116**	**582,452**	**112**	**31,686**

Source: Refinitiv

EUROPE'S RESCUE FUNDS UNPERTURBED AS QE ENDS

EUROPEAN STABILITY MECHANISM and **EUROPEAN FINANCIAL STABILITY FACILITY** will stick to tried and tested funding strategies this year as they navigate the end of easy money and what is expected to be a volatile market.

Like other public sector issuers, Europe's rescue funds have benefited from ECB largesse in recent years. But they are unperturbed as the central bank's net purchases ended.

"Moving forward, I am not concerned in general," said Siegfried Ruhl, head of funding and investor relations at both ESM and EFSF.

"Higher yields, wider spreads, this is something that is quite normal. Sometimes spreads are widening, sometimes they are tightening, yields are going up, down - this is what we call markets and we have to deal with it."

Both will continue to operate with pre-determined windows outlined in an

ALL INTERNATIONAL BONDS (1/1/2018–31/12/2018) CURRENCY VS TYPE OF INSTRUMENT

	All issues		Straights		FRNs		Convertibles	
	No of issues	Amount US$(m)	No of issues	Amount US$(m)	No of issues	Amount US$(m)	No of issues	Amount US$(m)
US Dollar	2,415	1,881,697	1,834	1,562,510	553	309,057	28	10,130
Euro	1,718	1,319,265	1,326	1,119,448	370	193,260	22	6,557
British Pound	354	184,374	248	127,390	101	56,962	5	22
Japanese Yen	136	35,580	104	26,079	10	4,121	22	5,379
Australian Dollar	238	27,051	218	21,330	19	5,711	1	10
Chinese Renminbi	43	22,381	22	16,792	4	4,101	17	1,488
Canadian Dollar	104	19,852	103	19,663	1	190	–	–
Swiss Franc	94	19,493	88	16,762	3	577	3	2,154
Swedish Krona	142	13,067	103	9,462	39	3,605	–	–
New Zealand Dollar	100	11,248	84	4,658	4	1,150	12	5,441
Hong Kong Dollar	56	5,265	41	4,353	15	912	–	–
Norwegian Krone	34	5,026	31	4,858	3	169	–	–
Singapore Dollar	8	2,065	8	2,065	–	–	–	–
Turkish Lira	7	1,941	4	1,093	3	848	–	–
Chilean Peso	49	1,641	49	1,641	–	–	–	–
Russian Rouble	1	1,606	1	1,606	–	–	–	–
Indonesian Rupiah	4	1,544	3	57	1	1,487	–	–
Polish Zloty	9	1,254	9	1,254	–	–	–	–
Indian Rupee	12	1,101	12	1,101	–	–	–	–
Brazilian Real	21	1,086	21	1,086	–	–	–	–
Mexican Peso	27	1,075	26	955	1	120	–	–
Dominican Repub Peso	24	906	24	906	–	–	–	–
South African Rand	1	818	1	818	–	–	–	–
Macau Pacata	4	558	2	53	–	–	2	505
Kazakhstan Tenge	13	550	11	466	2	84	–	–
Kuwaiti Dinar	1	372	1	372	–	–	–	–
Philippine Peso	3	328	3	328	–	–	–	–
Czech Koruna	1	200	1	200	–	–	–	–
Romanian Lei	7	196	5	96	2	100	–	–
Colombian Peso	3	166	3	166	–	–	–	–
Argentine Peso	3	131	3	131	–	–	–	–
South Korean Won	2	87	2	87	–	–	–	–
Thai Baht	1	49	1	49	–	–	–	–
Malaysian Ringgit	2	20	2	20	–	–	–	–
Ghanaian Cedis	1	10	1	10	–	–	–	–
Uruguayan Peso	1	10	1	10	–	–	–	–
Peruvian Sol	1	9	1	9	–	–	–	–
Armenian Dram	1	5	1	5	–	–	–	–
Total	**5,529**	**3,562,027**	**4,398**	**2,947,889**	**1,131**	**582,452**	**112**	**31,686**

Source: Refinitiv

issuance calendar, while the ESM has reiterated its commitment to US dollars with at least one benchmark a year.

And indeed, the European Financial Stability Facility sent an RFP last Wednesday for a potential issue this week. It has a €7.5bn funding target for the first quarter.

They will both, though, continue being flexible when it comes to tenors.

"The way we act in the market, the strategy is not based on short-term market conditions, but we are able to shift a little bit between the maturities," said Ruhl.

ESM, for example, issued its first three-year since 2015 last October, which Ruhl said was a response to demand at the short end of the curve.

"Because of the yield environment in 2016 and 2017, there was no demand for that part of the curve. We didn't want to put a bond to the market that nobody wanted to have. So we do take market conditions into account, but they don't change the strategy, the high-level strategic approach," he said.

Wider spreads and higher yields could bring new accounts to the name on top of the 58 gained last year.

Some of those came in when ESM sold a US$3bn 3% two-year in October, with new central bank investors said to have participated.

"Central banks are often more conservative and don't want to participate in an inaugural transaction. If the issuer commits and comes back, they join the club," said Ruhl.

SHRINKING PROGRAMME

A more likely challenge will be for the funds to remain active across the curve given combined 2019 funding needs that have shrunk almost 30% from 2018 levels.

Their record programme was the total €68bn sold in 2013, and the second largest the €60.5bn placed in 2017.

Previous trades have been up to €8bn, although future benchmarks are more likely to be in the €2bn-€3bn range.

In coming years, ESM may be given a wider mandate to prevent and resolve crises, to which end it will form the backstop for the Single Resolution Fund (SRF).

"The SRF - funded by contributions from banks - will increase the fund to €55bn-€60bn … and in case it has to step in to save a bank and the fund they have is not sufficient, then we are the backstop," said Ruhl.

This is scheduled to happen at the latest by 2024, Ruhl said.

"In 2020, politicians will look at the progress countries and banks are making in reducing the risk factors and then they may

decide to introduce the backstop function earlier."

NETHERLANDS PICKS DDA FORMAT FOR GREEN DEBUT

The NETHERLANDS will make its debut Green fundraising through a Dutch direct auction rather than a conventional syndication.

The bond, which is likely to raise €4bn-€6bn, is planned for the second quarter, according to the treasury, and will have a maturity of at least 15 years. The exact tenor will be decided nearer to the time after consultation with primary dealers and investors.

The sovereign - which has chosen *ABN Amro* (structuring), *HSBC* and *Nordea* as advisers and *Credit Agricole* as independent Green consultant - will be the first Triple A sovereign to tap the Green market.

Poland, France, Belgium and Ireland are the other European sovereigns to have sold Green bonds, all via syndication.

"An auction is how the Dutch tap the markets," said a banker not involved. "It is a well-tested formula for them so why change a format that works well?"

The proceeds will fund Green expenditures, the treasury said in its 2019 funding outlook. The bond will be increased to about €10bn over the next few years.

SSA MARKETS GEARS UP FOR 'SUPPLY-GEDDON'

The SSA market is gearing up for the traditional January stampede but, unlike previous years, issuance will surface against a febrile market backdrop.

"Take your pick, it's going to be supply-geddon," a syndicate banker said. "Euros, dollars, sterling - the pipeline is busy in all currencies."

While sterling dominated issuance in the first week, the euro market did not draw a complete blank, though not many conclusions could be drawn from the supply that emerged in the first three business days of the year.

The EBRD's €600m five-year Green bond was the highlight, while the only other deals were taps: LOWER SAXONY's €500m increase of its September 2033 transaction via *DekaBank, DZ Bank, JP Morgan, Nord/LB* and *TD Securities* and KFW's €1bn tap of its May 2021 via *Goldman Sachs*.

"There's a bit of nervousness around the euro market, and we've seen spreads widening as the market gets ready for more supply," a DCM banker said.

The KfW tap priced at 25bp through mid-swaps and was quoted at less 21.5bp by Friday, according to Tradeweb. The issuer has been heavily rumoured and is expected to come with a large euro benchmark this week.

"The rally we've had in rates doesn't make it any easier and means that supply will be a bit more concentrated," said the DCM banker.

The yield on 10-year German benchmark that closed last year at 0.24% was quoted at 0.21% on Friday, having hit 0.15% on Thursday.

"There are plenty of buyers but issuers need to make sure they come at the right price," the DCM banker said. "In the last couple of years, it was easy to look at secondaries and add a couple of basis points; it won't be the same this year."

Bankers believe concessions could be in the region of 4bp-6bp, following a similar trend to what banks paid in the covered bond market.

The large benchmarks will be the first test of investor appetite in a post-QE world. The ECB's net asset purchases ended last month, although the central bank is reinvesting its holdings, which should help underpin the market, especially in the case of SSA, where the central bank never bought in primary.

Furthermore, the other factor that might help issuers to address low yields is that spreads versus Germany have widened. The 7bp over mid-swaps spread for Lower Saxony's tap, for example, equated to 90.6bp over Bunds. Books closed over €700m.

"The big debate around the long-dated trade was around how low yields are, but spreads are quite wide and this looks quite attractive versus Germany," another syndicate banker said.

"So, while the yield is quite low, the relative value versus Bunds is quite attractive."

Aside from KfW, the EUROPEAN FINANCIAL STABILITY FACILITY is expected with a deal, having sent an RFP for this week's window. It has a €7.5bn funding target for the first quarter.

European sovereigns are expected to join the early-year action, as they tend to do, with Ireland and Portugal tipped as the most likely candidates, although Spain and Belgium will probably not be far behind.

Ireland has an expected €14bn-€18bn target for 2019 and has said it would continue its strategy of pre-funding to meet

ALL INTERNATIONAL US$ BONDS
BOOKRUNNERS: 1/1/2018–31/12/2018

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	JP Morgan	653	179,831.39	9.3
2	Citigroup	674	174,742.95	9.0
3	BAML	556	152,091.07	7.8
4	Barclays	404	123,625.46	6.4
5	Goldman Sachs	404	120,118.44	6.2
6	HSBC	427	105,060.64	5.4
7	Morgan Stanley	390	101,651.28	5.2
8	Wells Fargo	350	90,037.08	4.6
9	Credit Suisse	350	88,196.35	4.6
10	Deutsche Bank	335	77,085.47	4.0
	Total	2,393	1,937,808.34	

Including Euro, foreign and global issues. Excluding equity-related debt, US Global ABS/MBS.

Source: Refinitiv SDC code: O1

ALL SOVEREIGN BONDS IN EUROS
BOOKRUNNERS: 1/1/2018–31/12/2018

	Managing bank or group	No of issues	Total €(m)	Share (%)
1	Barclays	18	13,017.18	9.8
2	Citigroup	21	11,785.99	8.9
3	JP Morgan	19	11,653.06	8.8
4	BNP Paribas	17	10,114.08	7.6
5	SG	18	9,098.02	6.9
6	HSBC	14	8,444.36	6.4
7	NatWest Markets	7	7,419.18	5.6
8	UniCredit	5	6,113.90	4.6
9	Credit Agricole	9	5,406.31	4.1
10	Goldman Sachs	9	4,996.03	3.8
	Total	51	132,517.12	

Excluding ABS/MBS.

Source: Refinitiv SDC code: N4

ALL SUPRANATIONAL BONDS IN EUROS
BOOKRUNNERS: 1/1/2018–31/12/2018

	Managing bank or group	No of issues	Total €(m)	Share (%)
1	Credit Agricole	26	6,965.13	8.4
2	UniCredit	14	6,651.60	8.0
3	Barclays	13	6,552.07	7.9
4	JP Morgan	13	6,067.23	7.3
5	SG	13	5,798.53	7.0
6	Deutsche Bank	16	5,774.60	6.9
7	Commerzbank	17	5,722.67	6.9
8	HSBC	16	5,652.76	6.8
9	BAML	19	4,714.89	5.7
10	Goldman Sachs	9	4,304.73	5.2
	Total	88	83,369.64	

Excluding ABS/MBS.

Source: Refinitiv SDC code: N5

MUNICIPAL, CITY, STATE, PROVINCE ISSUES IN EUROS
BOOKRUNNERS: 1/1/2018–31/12/2018

	Managing bank or group	No of issues	Total €(m)	Share (%)
1	UniCredit	45	8,534.96	17.3
2	HSBC	34	4,631.09	9.4
3	DGZ-DekaBank	34	4,574.29	9.3
4	LBBW	32	3,682.26	7.5
5	Nord/LB	26	2,902.72	5.9
6	Deutsche Bank	25	2,841.31	5.8
7	JP Morgan	18	2,578.27	5.2
8	DZ Bank	22	2,349.36	4.8
9	BayernLB	16	1,823.61	3.7
10	Credit Agricole	13	1,616.41	3.3
	Total	136	49,354.26	

Excluding ABS/MBS.

Source: Refinitiv SDC code: N7

Sterling fever hits SSA market

SSAR Issuers take advantage of arbitrage opportunities

Public sector issuers took the sterling market by storm last week, printing £3.2bn, as issuers turned to the currency to take advantage of auspicious pricing conditions and good liquidity before issuance in other currencies restarts in earnest.

January is traditionally a busy time of year for new sterling benchmarks, with £7.5bn issued in 2018, and market participants believe 2019 will be no exception.

"It's not surprising to see sterling take the lead, given the cost advantage of doing sterling still exists to a certain extent, especially when you compare to US dollar levels," said Asif Sherani, HSBC's head of SSA syndicate.

"And it's not surprising to see EIB and KfW kick things off, being the larger and more frequent issuers to come to market."

Sterling does not just offer arbitrage versus US dollars - it also looks attractive versus euros.

"Even with the swap charges, euro issuers can beat their euro curve by 2bp-3bp," a second syndicate banker said.

The strong start for sterling contrasted with a US dollar market that drew a blank last week.

"The economics explain why we're going to see quite a lot of supply [in sterling]," a third syndicate banker said.

"Issuers also have one eye on the return of [the UK] parliament and the [Brexit] vote [in the week commencing January 14], so you're seeing a very big pipeline to get ahead of any uncertainty around that. That's the main modus operandi and you're seeing that in covered bonds as well."

"DOWN TO A T"

The depth of investor demand could be seen across products, with the EUROPEAN INVESTMENT BANK pricing its second FRN linked to the new Sonia benchmark - a £1bn no-grow January 2022 via *Deutsche Bank, HSBC, RBC* and *TD.*

Books closed over £1.4bn, driven by bank treasury demand, allowing leads to price the deal 2bp tighter than the 30bp area over compounded Sonia IPTs.

"EIB have the sterling market down to a T," Sherani said. "They come to market very early on in the year. They were a pioneer when it comes to Sonia and they're now picking a new point on the curve, getting the deal done in textbook fashion."

Unlike EIB's first trade in the format, which priced last year and was months in the making, the supranational was able to bring the trade without any pre-marketing.

"It's showing the maturity of the market and how far we've come very quickly," Sherani said. "The bulk of the floaters issued now are versus Sonia."

For relative value, leads pointed to various reference points, including EIB's February 2022s, pegging fair value at around 26bp over Sonia.

ASIAN DEVELOPMENT BANK followed EIB, pricing a £200m October 2023 debut Sonia tap via *Bank of America Merrill Lynch, RBC* and *TD* at 31bp over.

"This shows you how normalised the Sonia market has become with the UK investor base," the third banker said. "We said last year it would become the go-to product and that's clearly becoming the case."

How to price the increase was the biggest challenge, given there was not really any secondary trading in the original bonds, the banker said.

"The mark was 27bp-29bp," he said. "You always have to balance these things finely, which is why we started with a smaller size."

The original £600m priced at plus 25bp in October.

PICK AND CHOOSE

The floater-rate sector was not the only part of the sterling market where there was ample liquidity, as shown when KFW priced a £1.25bn December 2021 fixed-rate deal, its largest ever sterling trade, on books over £1.8bn.

Leads *Barclays, Bank of America Merrill Lynch* and *Citigroup* priced the trade at 45bp over the 3.75% September 2021 Gilt, 1bp tighter than the IPTs set on Wednesday.

Bankers away from the deal put the concession at around 4bp, although leads put it closer to 1bp-2bp.

"If you look at the pattern in sterling, issuers tend to offer bigger concessions at this point of the year, and deals that follow tend to be tightly priced taps. So, as an investor, if you want to get a new issue concession, these are the deals where you get them," the second banker said.

BNG BANK also had a successful outing in the currency, crossing the line with a £500m December 2021 via leads *Bank of America Merrill Lynch, Deutsche Bank* and *RBC.* It priced in line with IPTs at 55bp over Gilts.

"My key takeaway from this week's trades is that there is a lot of demand at the short end of the sterling market, driven by bank treasuries," the third banker said.

While orders had only topped £300m by the time of the last book update, the banker said the deal was sized to demand.

"There were a lot of percentage orders in the book, so they scale up with the deal size," a fourth syndicate banker said.

"Good economics are a driver of supply - this came flattish to BNG's euro curve - but we also know the sterling market closes pretty quickly, so when you're seeing good sentiment, you should go."

In contrast, there were no book updates at all sent out for SWEDISH EXPORT CREDIT CORPORATION's £250m December 2023 via *Citigroup, HSBC* and *NatWest Markets,* which offered little, if any, new issue premium.

"It was the wrong maturity," the third banker said. "That's where the bulk of the widening has been. It's been oversupplied over the last two years and folks are bored of it. Also, the curve is so flat, investors don't need to go longer to hit their asset swap targets."

Helene Durand

future redemptions, with 2020 marking the last year in which sizeable repayments are falling due.

"ROTTEN" LEVELS

While the euro and sterling markets are expected to be bustling over January, there is more of a question mark over the US dollar market, at least for euro-based funders.

"Levels in US dollars are rotten, and while it won't impact dollar-based issuers, it will likely have an impact on euro-based borrowers," a second DCM banker said.

"If levels are not good in US dollars, they might look at other currencies."

The three-year euro/dollar basis swap started 2018 at less 33bp but opened 2019 at less 14.25bp, according to Refinitiv data, and was quoted at less 14.85bp last Friday.

The pattern is similar at five-years, moving from less 35bp to less 14.37bp.

"US dollar funding is really expensive, and while you would usually expect the big guys to do a big benchmark, some are not sure they will, as it's too expensive and difficult to justify," a third DCM banker said.

NON-CORE CURRENCIES

AOFM SLASHES BOND SUPPLY

The AUSTRALIAN OFFICE OF FINANCIAL MANAGEMENT has slashed its projected issuance of Treasury bonds in response to a much improved fiscal position, as underlined by the government's mid-year economic and fiscal outlook released on December 17.

The AOFM now expects to issue around A$52bn (US$38bn) of government bonds in

fiscal year 2018–19, down A$18bn from the A$70bn projected at the time of the 2018–19 budget, most of which will be raised from tenders of around A$1bn each week.

With A$30.3bn of Treasury bonds having already been issued by mid-December, the AOFM no longer plans to establish new lines maturing in September 2023 and December 2030, though a syndicated sale of an existing ultra-long bond line may still be considered.

Around A$6bn of Treasury indexed bond issuance is planned for 2018–19, of which A$4.7bn has already been raised.

Fortified by booming corporate tax receipts, especially from the mining sector, the federal government lowered its underlying cash deficit forecast in 2018–19 from A$14.5bn to A$5.2bn, or from 0.8% to 0.3% of GDP. A projected underlying cash surplus in 2019–20 has been raised from A$2.2bn to A$4.1bn.

As a result of the improved budget position, net Commonwealth government debt as a share of GDP is expected to decline over the medium term from 18.2% in 2018–19 to 1.5% in 2028–29, according to the MYEFO.

Australia's improving fiscal fortunes underpin its position as one of only 10 nations to boast Triple A ratings from all three main agencies, alongside Canada, Denmark, Germany, Luxembourg, the Netherlands, Norway, Singapore, Sweden and Switzerland.

Moody's forecast general Australian government debt, which includes local and state governments, to remain stable at around 43% of GDP in 2019 and 2020.

This is above the median of 35% for wholly Triple A rated sovereigns, but lower than the Netherlands' 48% and Germany's 55.2%, and less than half the 99% general government debt ratio of the US, which is rated one notch lower by S&P at AA+.

Reduced supply and cancellation of a new December 2030 line supports the current 10-year Australian Commonwealth government benchmark, the 2.75% November 2028s, the yield on which fell 4bp to 2.40% following the MYEFO and subsequent AOFM announcement.

CORPORATES

US DOLLARS

ALTRIA STOKES LEVERAGE FEARS WITH JUUL INVESTMENT

Spreads on bonds issued by Marlboro cigarette manufacturer **ALTRIA** widened last week as the company looked to lever up with a minority stake in e-cigarette producer Juul.

Altria's investment totalled US$12.8bn for a 35% holding, with a US$38bn valuation of the popular vaping company, according to CreditSights.

Only recently, Altria bought a 45% stake in leading Canadian cannabis company Cronos for US$1.8bn.

If both deals are financed with new debt issuance, that would push Altria's total debt load to US$28.3bn up from US$13.9bn, according to CreditSights.

S&P downgraded the company two notches to mid BBB from A- following the

ALL INV-GRADE US CORPORATE BONDS
BOOKRUNNERS: 1/1/2018–31/12/2018

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	BAML	73	15,194.36	11.4
2	JP Morgan	67	13,293.14	10.0
3	Morgan Stanley	46	10,856.42	8.1
4	Barclays	47	9,707.21	7.3
5	Citigroup	44	8,522.43	6.4
6	Wells Fargo	57	8,107.26	6.1
7	Goldman Sachs	33	7,604.76	5.7
8	MUFG	34	6,022.60	4.5
9	Mizuho	34	5,870.77	4.4
10	RBC	35	4,495.50	3.4
	Total	**201**	**133,476.62**	

Excluding equity-related debt, ABS/MBS, all foreign issues, global issues and non corporates.

Source: Refinitiv SDC code: F6a

ALL US INVESTMENT GRADE CORPORATE DEBT (EXCLUDING SOLE SELF FUNDED DEALS)
BOOKRUNNERS: 1/1/2018–31/12/2018

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	BAML	365	114,796.08	11.0
2	JP Morgan	388	113,177.72	10.8
3	Citigroup	336	93,105.10	8.9
4	Morgan Stanley	289	79,301.96	7.6
5	Goldman Sachs	239	78,653.48	7.5
6	Barclays	188	65,361.98	6.3
7	Wells Fargo	231	61,007.29	5.8
8	HSBC	125	40,605.31	3.9
9	Mizuho	133	35,950.06	3.4
10	RBC	143	35,201.56	3.4
	Total	**949**	**1,044,646.91**	

Source: Refinitiv SDC code: F09a

ALL CORPORATE BONDS IN EUROS
BOOKRUNNERS: 1/1/2018–31/12/2018

	Managing bank or group	No of issues	Total €(m)	Share (%)
1	BNP Paribas	158	27,415.79	8.5
2	Deutsche Bank	129	24,308.47	7.5
3	SG	125	21,549.52	6.7
4	HSBC	123	17,647.30	5.5
5	JP Morgan	104	16,995.92	5.3
6	UniCredit	95	15,861.48	4.9
7	Credit Agricole	100	15,774.77	4.9
8	Goldman Sachs	69	15,730.74	4.9
9	Barclays	83	14,294.98	4.4
10	BAML	78	14,255.72	4.4
	Total	**493**	**322,983.56**	

Excluding equity-related debt. FIGs, ABS/MBS.

Source: Refinitiv SDC code: N8

ALL INVESTMENT-GRADE BONDS IN EUROS
BOOKRUNNERS: 1/1/2018–31/12/2018

	Managing bank or group	No of issues	Total €(m)	Share (%)
1	BNP Paribas	240	60,720.75	7.1
2	HSBC	269	60,031.73	7.0
3	SG	216	55,083.52	6.4
4	JP Morgan	184	50,944.76	5.9
5	Credit Agricole	211	48,847.37	5.7
6	Deutsche Bank	210	48,551.71	5.7
7	UniCredit	197	45,415.98	5.3
8	Barclays	152	44,985.50	5.3
9	Goldman Sachs	104	35,821.87	4.2
10	Citigroup	143	35,311.24	4.1
	Total	**1,205**	**856,311.17**	

Excluding ABS/MBS, equity-related debt.

Source: Refinitiv SDC code: N9

ALL CORPORATE BONDS IN STERLING
BOOKRUNNERS: 1/1/2018–31/12/2018

	Managing bank or group	No of issues	Total £(m)	Share (%)
1	HSBC	16	1,961.64	12.4
2	Barclays	15	1,711.77	10.8
3	RBC	11	1,650.10	10.4
4	Lloyds Bank	15	1,400.22	8.8
5	NatWest Markets	13	1,077.62	6.8
6	BNP Paribas	12	925.37	5.8
7	Credit Suisse	7	661.72	4.2
8	Deutsche Bank	6	641.70	4.1
9	MUFG	6	574.06	3.6
10	Citigroup	6	573.55	3.6
	Total	**51**	**15,843.71**	

Source: Refinitiv SDC code: N8a

ALL SWISS FRANC BONDS EXCLUDING SECURITISATIONS
BOOKRUNNERS: 1/1/2018–31/12/2018

	Managing bank or group	No of issues	Total SFr(m)	Share (%)
1	Credit Suisse	135	14,119.21	29.6
2	UBS	118	12,836.64	26.9
3	ZKB	55	5,061.52	10.6
4	Verband Schweizerischer	13	4,941.26	10.3
5	Raiffeisen Schweiz	41	3,300.27	6.9
6	Deutsche Bank	15	1,731.19	3.6
7	BNP Paribas	17	1,677.78	3.5
8	HSBC	8	935.63	2.0
9	Commerzbank	10	799.34	1.7
10	Basler KB	6	508.83	1.1
	Total	**235**	**47,758.81**	

Including preferreds. Excluding equity-related debt.

Source: Refinitiv SDC code: K06b

news, citing a "significant increase in leverage". Moody's reaffirmed its A3 rating but placed it on negative outlook.

The company is poised to experience "substantial credit metric deterioration" if the deals go through, pushing gross leverage to 2.9x up from 1.4x, according to CreditSights.

Altria's bonds moved wider in the days and weeks following the original announcement of its investment in the cannabis company.

For example, the 5.37% 2044s moved 53bp wider to 285bp over Treasuries between December 18 and January 2.

S&P noted the substantial regulatory risk Juul faces amid its fast ascent as the leading e-cigarette company by total sales.

The Food and Drug Administration announced last month that it would begin banning menthol cigarettes and flavoured cigars generally, as well as restrict the sale of flavoured e-cigarettes in stores and online.

However, the FDA stopped short of outright banning flavoured vape pens, which have been linked to the rise of teen e-cigarette use.

Juul early on made its reputation as an enemy of big tobacco. But because it is a relatively new company, management may not have the expertise to navigate the regulatory landscape, CreditSights noted.

Pairing with Altria's extensive experience could be a motivator for the minority stake, the report added.

Given the volatility in the markets, January is going to be a difficult time for companies such as Altria to issue new debt financing, according to Jason Shoup, head of global credit strategy for Legal and General Investment Management America.

He expects bond spreads could move wider than 300bp over Treasuries (which they have at times during periods of volatile trading), adding that any new issuance could come at a new issue concession of 15bp or more in the current environment.

ALL INTERNATIONAL STERLING BONDS EXCLUDING SECURITISATIONS
BOOKRUNNERS: 1/1/2018–31/12/2018

	Managing bank or group	No of issues	Total £(m)	Share (%)
1	HSBC	99	14,860.05	13.9
2	NatWest Markets	92	12,283.84	11.5
3	Barclays	71	9,378.24	8.8
4	RBC	64	8,661.93	8.1
5	Lloyds Bank	52	7,888.93	7.4
6	JP Morgan	25	5,256.91	4.9
7	Nomura	34	5,034.24	4.7
8	BAML	31	4,839.11	4.5
9	Deutsche Bank	26	4,351.35	4.1
10	Santander	23	4,030.28	3.8
	Total	**288**	**106,789.50**	

Including preferreds. Excluding equity-related debt.

Source: Refinitiv SDC code: K05a

"The minority stake is a play on growth and delivery of their product to fit consumer tastes. But at the same time it comes with considerable regulatory risk, so it's not as obvious a slam dunk from the investor's perspective," Shoup said.

"In this market there is going to be a cost to pay, and it could be a lot higher than syndicate teams, bankers and the issuers themselves are expecting."

UNDERPERFORMING EARNINGS SEND CONAGRA BONDS WIDER

An underperforming December earnings report sent bonds issued by **CONAGRA BRANDS** (Baa3/BBB) wider, as the acquisition of Pinnacle Foods has not yet produced the performance investors are seeking.

Birds Eye, Duncan Hines and Wish-Bond are the three Pinnacle Foods brands the company singled out for low sales, bringing gross leverage to 5.2x, according to CreditSights.

Bonds moved wider following the earnings call on Thursday and were approaching levels as wide as Campbell's Soup, another Triple B name whose leverage levels have been a concern.

Conagra's 4.80% 2028s were quoted at 259bp over Treasuries - roughly in line with Campbell's 4.10% 2028s and some 72bp wider than where they were trading on December 19, according to MarketAxess data.

"Leveraging M&A deals can get messy, but unlike the case of Campbell's Soup, we have confidence that management can turn around what we view to be mostly execution issues in the acquired Pinnacle Foods portfolio," wrote James Dunn, senior consumer analyst for CreditSights.

"Unlike Campbell's, Conagra's legacy portfolio provides a strong underlying foundation while management addresses the needs of the PF brands."

Conagra last week agreed to sell its Wesson edible oils brand to Canadian agribusiness Richardson International, potentially raising US$285mn to pay off some of its debt.

"Due to the fairly small size of this transaction, we would not expect a huge amount of deleveraging," Dunn told IFR.

"But application of proceeds for debt repayment would still send the proper signals to credit investors and ratings agencies, both of whom were just promised a deleveraging story."

CreditSights sees net leverage at Conagra falling to 4.0x by the end of 2021. And while that is still wide of the management's target of 3.5x, it should keep it comfortably within high-grade territory, the research firm said in a report.

CELGENE BONDS RALLY ON BRISTOL-MYERS TAKEOVER

Bonds issued by **CELGENE** rallied last week following news that the biopharmaceutical company was being acquired by Bristol-Myers Squibb Co for around US$74bn.

Celgene's 3.90% 2028s, which were issued in February last year as part of a US$4.5bn M&A deal, jumped as high as 97.203 on Thursday, up from 94.115 at Wednesday's close, according to MarketAxess data.

It was a similar story for the 4.55% 2048s, one of the most actively traded bonds on Thursday, which hit a high of 97.385 earlier in the day, only to close at 92.911, or some six points higher on the day.

The merger between Bristol-Myers and Celgene will create a company that will bring in more than US$1bn in annual sales, with significant potential growth in oncology, immunology and cardiovascular diseases, Reuters reported.

Moody's responded by putting Celgene on review for an upgrade from Baa2, while S&P placed Bristol-Myers on credit watch negative.

Based on the proposed financing terms, S&P said it expected to lower Bristol-Myers's rating to A from A+ in the third quarter.

The acquisition would raise leverage to the mid 3x area, but that should fall to 2.2x by the end of 2021 thanks to the combined entity's growth potential and cash flow, said S&P.

Bristol-Myers is acquiring Celgene in a cash and stock transaction. Bristol-Myers Squibb has obtained fully committed debt financing from *Morgan Stanley* and *MUFG Bank Ltd*, according to Reuters.

Morgan Stanley is the lead financial adviser to Bristol-Myers, and Evercore and Dyal Co. LLC are its financial advisers. Kirkland & Ellis LLP is its legal counsel.

JP Morgan is serving as lead financial adviser and *Citigroup* is the financial adviser to Celgene.

Celgene last came to market in February 2018, raising US$4.5bn through a four-part deal to help fund its US$9bn acquisition of experimental cancer drugmaker Juno Therapeutics.

FORD MOTOR CREDIT SEES FUNDING COSTS SPIKE

FORD MOTOR CREDIT came with hefty new issue concessions on a US$2.75bn four-part bond sale, underscoring the tougher conditions faced by high-grade borrowers this year.

The finance arm of the car company of the same name came at Treasuries plus 270bp and 325bp on two and three-year fixed-rate tranches.

The borrower, rated Baa3/BBB/BBB, also issued floaters with the same maturities at Libor equivalent.

At that level, the two and three-year fixed-rate tranche came with new issue concessions of anywhere between 35bp and 70bp, depending on which comps bankers used.

The price guidance on the three-year tranche was close to where average BB junk bonds trade, at 361bp over Treasuries according to ICE BAML data.

"It's a validation that despite having IG ratings everyone is treating them and General Motors to a lesser extent as high yield credits," said a banker.

The auto sector is also under the spotlight as concerns increase over the outlook for economic growth.

Ford reported December car sales that were down 8.8% year-on-year which may have weighed on already softening sentiment on the sector.

"Auto sales did not look too hot and it's an economically sensitive sector. Everyone is talking about an [economic] slowdown so it's easy to beat up," said Matt Eagan, a portfolio manager in the fixed-income group at Loomis Sayles.

"It's interesting that you can get IG bonds with that sort of yield, but auto sentiment is bad and they are cyclical businesses, so it's not interesting enough," said another bond investor.

Just five months ago, the company issued a three-year bond at Treasuries plus 108bp, some 217bp tighter to where the new 2022s priced.

While some of that widening may reflect a one-notch downgrade by Moody's, such a spike in funding costs is highly unusual in the high-grade market.

The deal was led by *BNP Paribas*, *Deutsche Bank*, *Mizuho* and *Morgan Stanley*.

EUROS

AUTOS FIRST OUT IN UNSTEADY CORPORATE MARKET

RCI BANQUE and **TOYOTA** wrenched the investment-grade market back into action on Thursday with significant premiums and defensive tenors, showing 2019 is starting pretty much where last year left off.

Autos are usually the first into market in January. But this year opens with particular hazards for such borrowers thanks to uncertainty over trade tariffs, idiosyncratic risks, and Volkswagen's 60bp sector-defining premium on its €5.15bn deal in November.

Renault's captive finance arm RCI Banque had a tougher time with investors, thanks to its lower rating of Baa1/BBB (positive/stable) to Toyota's Aa3/AA- (both stable) and negative name-specific headlines to boot.

With a nervous buyer base in mind, leads *Citigroup, HSBC, Natixis* and *UniCredit* went out with a hefty concession of 40bp-45bp compared with RCI's outstanding bonds.

The announcement popped RCI spreads 15bp-17bp wider, a lead banker said.

But leads were still only able to inch spreads in from IPTs of 190bp/195bp over mid-swaps to a final 185bp. Books were last seen at over €1bn (pre-rec) for the €750m deal.

"We were a bit surprised RCI came as the first deal into the market - it's not an obvious one for us right now," one investor said.

"Investors are feeling defensive and aren't walking in the door with a mind to add a load of Renault risk," he said.

Renault has had a tough time of it lately. Chairman and CEO Carlos Ghosn was arrested by Japanese authorities in November for alleged financial violations.

For bond buyers, that raises concerns over governance issues, the investor said.

The recent spate of bad news, coupled with uncertainty over trade tariffs, has moved RCI Banque's spreads out significantly.

Its 1.625% Feb 2026s had widened over 40bp from early November through to Thursday's open. The iBoxx euro non-financials index widened only 30bp over the same period.

Still, the deal was a far cry from RCI's last visit to the market. Leads on the five-year sterling transaction in October were forced to cancel the trade in the middle of execution after the book came unstuck in adverse market conditions.

Japanese automaker Toyota had a better time of it, pulling in a book of €1.9bn to leave the €500m three-year nearly four-times covered.

The deal was only the second to be issued via the company's Dutch captive finance arm.

It too had to offer a relatively high premium. At initial price thoughts of 60bp area over mid-swaps, two bankers away and a lead saw the concession in the 25bp to high 20s range.

Still, the healthy investor appetite allowed leads *Credit Agricole, HSBC, MUFG, Societe Generale* and *SMBC Nikko* to set the spread 15bp tighter at plus 45bp - leaving only a 10bp premium.

"The three-year bond was a defensive maturity from a high-rated name, making it a great place to park cash," a banker familiar with the deal said.

Despite the shaky backdrop, leads felt it was a good time to pull the trigger.

"The discussion we had this morning was that the equity market opened a little weaker but both RCI and Toyota have relatively well-defined curves and they're well-followed credits," a lead on one trade said.

"Our view is that the auto sector as a whole is a challenging one," a second lead said. "January will be very busy for autos so you want to be at the front of the queue - not the back."

FRESENIUS RETURNS FOLLOWING PROFIT WARNING

FRESENIUS is set to meet investors to discuss a potential bond offering, just a month after issuing a profit warning.

The German healthcare group has mandated *BNP Paribas, Credit Suisse* and *Goldman Sachs* to arrange a two-day roadshow which will begin on Tuesday and take in London, Frankfurt and Paris.

A Reg S six and 10-year senior unsecured dual-tranche euro could follow as early as Thursday, a lead manager said. The mandate was announced January 4.

"By announcing now, we're giving investors time to digest," he said.

Fresenius - a former darling of the high-yield market - is now an investment-grade credit but is perched just above junk at Baa3/BBB-/BBB- (stable/positive/stable).

The company had been a Double B stalwart but was upgraded to IG in 2015.

However, there is a chance it could head back down: bonds have widened substantially since the profit warning on December 7.

The company had expected group sales to increase at a compounded annual growth rate in the range of 7.1% to 10.3%. It now expects organic sales growth in the mid-single digits from 2020 onwards. And in another blow to bondholders, Fresenius has said dividends would continue to grow.

Fresenius's 1.5% July 2025s were seen bid at 150bp over swaps on January 4, 45bp wider than on December 6. Its 1.5% January 2024s were at 142bp, some 53bp wider, according to Tradeweb data.

Despite the widening, Fresenius's new bonds may still have to price at a material discount to where secondaries are trading, according to one investor, who believes the name still trades too tight versus comparables.

Takeda (Baa2/A-) has 2024s bid at 152bp, for instance.

"Fresenius is a name that trades rich for a low Triple B credit, even with the investment-grade market's recent repricing and despite its recent profit warning," the investor said.

In addition, the pharmaceutical sector is facing what could be material M&A supply over the next couple of months after Bristol-Myers Squibb announced on Thursday that it was purchasing Celgene for around US$74bn.

Against a still-shaky macro backdrop, the investor said Fresenius may have to approach the market with a premium in the ballpark of 40bp - similar to RCI Banque's initial discount on Thursday.

Still, he said he is interested in the credit, calling it a defensive name which is likely more insulated from a macro downturn than auto borrowers.

Fresenius has been a hit with investors in the past. In 2017, it drummed up €11.5bn of interest for a €2.6bn bond to part-fund its acquisition of Spanish hospital chain IDC Salud.

The company was last in the euro market in July with the no-grow €500m July 2025s.

Looking ahead, the first full week of action for the investment-grade market is likely to be slower than in previous years.

Autos are usually the first out in January. But while the market saw trades last week from RCI Banque and Toyota, the likes of Volkswagen and BMW pre-funded at the back end of 2018 to avoid roadbumps such as Brexit, the syndicate banker said.

He is expecting €10bn-€15bn of supply over the first eight days of the year, compared with just over €16bn for the same period in 2018.

NON-CORE CURRENCIES

QANTAS FLIES SOLO

QANTAS AIRWAYS has cancelled its ratings subscription with S&P, citing balance-sheet strength and access to diversified funding markets, leaving it with a single, Baa2 Moody's rating from the three main international agencies.

The national carrier has had a chequered ratings history in recent years, having been cut to junk, Double B status by both S&P and Moody's in December 2013.

The two agencies restored Qantas's investment-grade credentials in November 2015 and February 2016 with respective upward revisions to BBB– and Baa3, before a further Moody's upgrade to Baa2 with a stable outlook in May 2017.

An Australian fund manager said the move was a negative development, as far as he was concerned.

"It is obviously preferable to have two sets of eyes and two sets of logic. When a company drops one such reference point, especially if it represents the lower of two ratings, then we are worried, all the more so in the volatile aviation sector where greater caution is already required," he said.

Qantas bonds were not unsettled by the news, with the yield on the domestic 4.75% October 2026s easing 1bp to 4.26% following the announcement.

FIG

US DOLLARS

DANSKE EYES FIRST SENIOR SINCE MONEY-LAUNDERING SCANDAL

DANSKE BANK will attempt to sell its first unsecured bond since coming under fire for alleged money laundering last year, a potential fine from US authorities creating an additional headwind in what is already a volatile market.

The Danish lender (A2/A/A) announced the 144A/Reg S US dollar senior non-preferred issue (expected Baa2/BBB+/A) last Friday via *Bank of America Merrill Lynch*, *Barclays*, *Danske Bank*, *Goldman Sachs*, *JP Morgan* and *UBS*.

It will meet investors in London and the US on Monday and Tuesday ahead of the potential trade, an important test of appetite for both Danske's senior paper and the health of the market more broadly.

The bank attracted more than €1.5bn of orders for a €750m five-year covered in November, rated Aaa by Moody's, but execution will prove more hazardous in the senior non-preferred sector.

"Obviously, conditions are fairly volatile. Let's see what the roadshow brings," said a lead.

Danske's chief executive, Thomas Borgen, resigned in September following reports of €200bn flowing through its tiny Estonian branch between 2007 and 2015. It cut its 2018 profit forecast in December for the second time last year to Dkr15bn (US$2.28bn), citing worsening market conditions.

The investigation has weighed heavily on Danske's spreads, pushing its senior non-preferred debt to its widest ever levels. Moody's downgraded Danske's preferred and senior non-preferred bonds a notch in October.

The €1.25bn 0.875% May 2023 SNP was quoted at swaps plus 173.5bp on Friday, having priced at 53bp last May. A US$850m 5.25-year SNP sold in June at 120bp over Treasuries - its last unsecured transaction - was bid at 238bp.

The size of a potential fine in the US - historically more onerous than in Europe

ALL FINANCIAL INSTITUTION BONDS IN EUROS
BOOKRUNNERS: 1/1/2018–31/12/2018

	Managing bank or group	No of issues	Total €(m)	Share (%)
1	BNP Paribas	70	17,373.27	9.1
2	HSBC	62	17,179.08	9.0
3	UBS	36	14,148.95	7.4
4	SG	38	12,640.02	6.6
5	Deutsche Bank	52	12,009.14	6.3
6	Credit Agricole	36	9,880.54	5.2
7	JP Morgan	50	9,517.17	5.0
8	Natixis	30	9,507.04	5.0
9	Goldman Sachs	30	6,956.80	3.7
10	Barclays	37	6,930.26	3.6
	Total	303	190,424.30	

Including banks, insurance companies and finance companies. Excluding equity-related and covered bonds. Excluding publicly owned institutions.

Source: Refinitiv SDC code: N11

ALL SUBORDINATED FINANCIAL INSTITUTION BONDS (ALL CURRENCIES)
BOOKRUNNERS: 1/1/2018–31/12/2018

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	HSBC	34	6,449.80	8.9
2	Barclays	18	5,413.07	7.4
3	UBS	19	5,056.41	6.9
4	BNP Paribas	24	4,582.68	6.3
5	JP Morgan	29	4,571.96	6.3
6	Citigroup	25	3,890.66	5.3
7	Goldman Sachs	17	3,861.51	5.3
8	Morgan Stanley	21	3,830.29	5.3
9	Credit Suisse	16	3,453.71	4.7
10	SG	11	3,443.68	4.7
	Total	117	72,866.29	

Source: Refinitiv SDC code: J3a

ALL GLOBAL AND EUROMARKET YEN BONDS
BOOKRUNNERS: 1/1/2018–31/12/2018

	Managing bank or group	No of issues	Total ¥(m)	Share (%)
1	Nomura	20	180,516.67	18.4
2	Sumitomo Mitsui Finl	15	158,530.04	16.1
3	Mizuho	18	154,713.38	15.7
4	Daiwa Securities	15	79,550.00	8.1
5	Mitsubishi UFJ MS	8	67,546.68	6.9
6	BNP Paribas	2	55,500.00	5.6
7	MUFG	4	54,833.33	5.6
8	BAML	2	31,833.33	3.2
9	Goldman Sachs	3	28,680.02	2.9
10	UBS	2	25,000.00	2.5
	Total	59	983,079.39	

Excluding equity-related debt. Including preferreds.

Source: Refinitiv SDC code: K10

ALL SAMURAI BONDS
BOOKRUNNERS: 1/1/2018–31/12/2018

	Managing bank or group	No of issues	Total ¥(m)	Share (%)
1	Mizuho	51	481,661.67	20.7
2	Sumitomo Mitsui Finl	43	460,041.67	19.8
3	Mitsubishi UFJ MS	44	394,561.67	17.0
4	Nomura	42	366,736.67	15.8
5	Daiwa Securities	38	335,853.33	14.5
6	Natixis	11	47,120.00	2.0
7	BAML	3	46,666.67	2.0
8	HSBC	3	40,000.00	1.7
9	Citigroup	6	32,333.33	1.4
10	SG	3	32,000.00	1.4
	Total	63	2,324,200.00	

Excluding equity-related debt.

Source: Refinitiv SDC code: K11

- remains a major question mark for the bank's investors.

"It's clearly an issue for the equity market - Danske was a capital returns story, and this affects the capital that could be returned," said a second banker, a lead on the deal.

"Is it an issue for Tier 1? Maybe. Is it an issue for senior non-preferred? I think there are volatility issues, but I don't think anyone is thinking Danske is going to be put into resolution by this issue."

TURNING HEADS

The first lead said the mandate had generated significant early interest in London and pointed out that Danske has been very clear in its communications regarding the investigation.

"[It's] a bank that is naturally quite profitable and a good revenue-generating institution, so with all that in mind, I would have thought a lot of this is baked into levels and I think the premiums are what they are," he said.

November's covered bond demonstrated that investors have kept lines in place and the bank's spreads across asset classes look attractive. Nonetheless, steep concessions for financial borrowers generally mean the exercise could prove costly.

BNP PARIBAS opened the Yankee market last Thursday with a US$2.6bn two-part trade but had to pay a hefty concession, firing a warning shot for other European borrowers.

"From what I heard, they were telling investors in the US they were targeting US$3bn and they got US$2.6bn done, and they moved 5bp, so they paid a 40bp-45bp concession for slightly under their size," said a syndicate banker.

BNP Paribas did not communicate an official size prior to launch. The healthy premium has helped the deal perform, with the 6NC5 and 11NC10 spotted 4bp and 9bp tighter, respectively, on Friday.

"We don't think the US market is the cheapest, but people are going there because it's the most resilient," said the second banker.

"Euros have been a bit flaky and you really struggled to do anything above a €750m tranche last year. That's affecting issuers' mindset."

(See Top News for more on BNP Paribas' trade.)

ALL INTERNATIONAL YEN BONDS
BOOKRUNNERS: 1/1/2018–31/12/2018

	Managing bank or group	No of issues	Total ¥(m)	Share (%)
1	Mizuho	70	652,625.04	19.4
2	Sumitomo Mitsui Finl	59	634,821.71	18.8
3	Nomura	62	547,253.33	16.2
4	Mitsubishi UFJ MS	52	462,108.35	13.7
5	Daiwa Securities	53	415,403.33	12.3
6	BAML	5	78,500.00	2.3
7	BNP Paribas	5	71,625.00	2.1
8	JP Morgan	7	57,996.67	1.7
9	HSBC	5	55,000.00	1.6
10	MUFG	4	54,833.33	1.6
	Total	123	3,372,279.39	

Including all Euro, foreign and global issues. Excluding equity-related debt.

Source: Refinitiv SDC code: K12

SWISS FRANCS

ZKB FIRST OFF THE MARK, AGAIN

ZUERCHER KANTONALBANK was again first out of the blocks in Swiss francs on Thursday, bringing a self-led SFr130m (US$131m) eight-year at mid-swaps plus 8bp, equivalent to 57bp over government bonds.

The deal was deemed quite a success by one official at a competitor bank, after an upsize from the initially indicated SFr100m amount.

And despite some investors being full on the name, it priced flat to its curve. That looked particularly impressive compared with the 5bp-10bp premiums being paid by covered issuers in euros, its closest comparisons in this market, given that ZKB and all recent euro covered issuance are rated Triple A.

Asset managers and pension funds took the majority of the paper (78%), with banks and insurers accounting for the rest. A total of 27 accounts took part for a fairly granular SFr4.8m average ticket.

Being first into the market gave ZKB a "nice opportunity to discuss with clients about their strategy and ideas for the new year", said a banker on the trade.

Although Swiss banking secrecy laws prevented disclosure of those plans, a banker said there is "a fair chance we will see further interest at the longer end of the curve, since interest rates might not increase as much as people previously believed and economies could grow slower, if at all."

Other bankers focused more on the near term, with next week expected to be fairly busy after a slightly volatile and shortened first week of the year.

Two domestic corporates are rumoured to have mandated already, alongside the Valiant Bank and SpareBank 1 Boligkreditt covered mandates already known. PSHypo has a scheduled issuance slot on Friday January 11.

COVERED BONDS

STERLING

NATIONWIDE SONIA DEBUT OFFERS STERLING BELLWETHER

NATIONWIDE BUILDING SOCIETY sold an inaugural £1bn five-year Sonia-linked sterling covered last Thursday, which impressed with its size and will serve as an important pricing point for the market.

The Sonia-linked covered bond market has seen supply from Lloyds, Santander UK, Coventry Building Society and Yorkshire Building Society since it opened last September.

Bankers said the size of the new issue was particularly impressive compared with those that came before. It is the joint-largest Sonia-linked covered to date, alongside Santander UK's £1bn three-year offering.

"If you're taking a yard off the table, it's difficult to quibble with a transaction like that," said one, away from the deal.

The builder announced the mandate for the five-year deal last Wednesday, via joint-lead managers *Lloyds, NatWest Markets, RBC and TD*.

They began marketing the next morning with initial guidance of Sonia plus 77bp area. Books were first reported above £800m, before the spread was set at 75bp and the size at £1bn, with books over £1.2bn, excluding JLM interest.

Bankers said Nationwide had been able to print a larger trade than its building society peers thanks to the issuer's size and its more familiar name. Leads added the size exceeded the issuer's expectations.

The £500m trades for Coventry and Yorkshire were deemed the best comparables for the new issue. These deals were quoted at 67bp-69bp, having widened from the 60bp level at which both were priced.

ALL COVERED BONDS (ALL CURRENCIES)
BOOKRUNNERS: 1/1/2018–31/12/2018

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	HSBC	66	13,268.04	6.4
2	Natixis	59	11,312.54	5.4
3	LBBW	67	11,179.98	5.4
4	UniCredit	70	11,065.83	5.3
5	Commerzbank	65	10,803.77	5.2
6	Deutsche Bank	46	9,115.55	4.4
7	Credit Agricole	47	8,861.94	4.2
8	UBS	41	8,440.66	4.0
9	SG	43	8,075.63	3.9
10	Credit Suisse	39	7,674.20	3.7
	Total	294	208,572.07	

Source: Refinitiv SDC code: J15a

The deal therefore paid a concession of 6bp-8bp versus Sonia comparables and a 4bp-5bp concession versus Libor-linked comparables, said bankers.

"I don't think they paid up too much," said a second syndicate banker away. "It was also flat to where Santander UK 2023s were trading in euros, so I think it's a pretty good deal."

Some bankers expect more sterling covered bond supply in the coming weeks, noting that the start of the year is usually a busy period in this market.

Lloyds, for example, typically prints a sterling covered in the first weeks of the year and has a £750m FRN that will mature on January 14. That said, it sold a £750m Sonia-linked FRN last September.

Syndicate bankers said Nationwide's deal is an important bellwether for the sterling market, providing the new year's first pricing.

It was also seen as a positive sign as it came ahead of a crucial vote on Theresa May's Brexit deal, scheduled for the week commencing January 14, which could limit the window for UK supply. Brexit-related volatility foiled an attempt by TSB Bank to issue a Sonia-linked covered in November.

"This deal really signals the fact the UK is able to access the market in the weeks before the vote," said the second banker away.

The European Investment Bank (EIB) was also in the market with a Sonia-linked deal on Thursday, printing a £1bn three-year senior unsecured issue.

SWISS FRANCS

VALIANT LINING UP SWISS COVERED

VALIANT BANK has mandated *BNP Paribas (Suisse), ZKB* and *Valiant Bank* (no books) as joint lead managers for a new Swiss franc covered bond.

The transaction is expected to be rated Aaa by Moody's and will be issued under Valiant's SFr5bn (US$5.05bn) contractual covered bond programme, which is governed by Swiss law. It will be launched in the near future, subject to market conditions.

Wednesday sees **PSHYPO** return to the market with a pre-scheduled issue. As usual, the leads will be *Credit Suisse*, *Raiffeisen Schweiz* and *UBS*.

HIGH-YIELD

UNITED STATES

S&P DROPS WEATHERFORD TO CCC AMID RESTRUCTURING CONCERNS

S&P downgraded oil services firm **WEATHERFORD INTERNATIONAL** to CCC on December 24 on concerns the firm is heading for a distressed debt exchange or restructuring.

The agency dropped its rating to CCC from B-, marking the second time it has downgraded the company in the past two months.

Weatherford has US$1bn of debt maturing over the next two years and US$2bn in mid-2021, and its financial performance has attracted scrutiny.

The company burned through US$35m of cash in the third quarter and analysts at CreditSights said its efforts to make meaningful improvements in liquidity and/or debt reduction "appear a long shot".

Oilfield services firms such as Weatherford depend on capital investment by oil exploration companies, which is expected to drop because the price of oil has slumped.

WTI oil has fallen by almost 40% since October 3, after recovering a touch in January to trade at US$46.92 a barrel last Thursday, according to Refinitiv data.

S&P has a negative outlook on Weatherford because of its leverage and negative cashflow.

"As a result, the company faces heightened refinancing risk, which we believe increases the likelihood of a debt exchange or capital restructuring over the next 12 months," wrote S&P.

The slump in oil prices and the flight from risky assets in December has put particular pressure on energy bonds in the high-yield market.

According to ICE BAML data, the energy sector was one of the worst performers in the 10 days straddling the New Year, with average spreads widening by 112bp.

Weatherford's debt has also been sliding in secondary trading in recent weeks.

The company's 5.125% 2020 notes were being quoted as low as 69.918, or a yield of around 28%, on December 27. This constituted a considerable drop from where they had been trading on October 3, when they changed hands at par, according to

ALL US$ DENOMINATED HIGH-YIELD BONDS
BOOKRUNNERS – 1/1/2018–31/12/2018

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	JP Morgan	135	17,158.75	8.9
2	Goldman Sachs	109	14,760.84	7.6
3	Credit Suisse	106	14,232.90	7.4
4	Wells Fargo	94	12,143.53	6.3
5	BAML	121	12,126.03	6.3
6	Barclays	92	11,543.38	6.0
7	Deutsche Bank	101	10,823.86	5.6
8	Citigroup	89	10,202.18	5.3
9	Morgan Stanley	87	10,044.89	5.2
10	RBC	66	7,297.12	3.8
	Total	**377**	**193,214.10**	

Including US domestics, Euro, foreign, globals. Excluding equity-related debt.

Source: Refinitiv SDC code: B5

ALL NON-DOLLAR DENOMINATED HIGH-YIELD BONDS
1/1/2018–31/12/2018

	Managing bank or group	No of issues	Total €(m)	Share (%)
1	Deutsche Bank	46	4,714.69	7.8
2	JP Morgan	45	4,193.95	7.0
3	Goldman Sachs	39	4,160.84	6.9
4	BNP Paribas	49	3,828.83	6.4
5	Credit Suisse	41	3,206.58	5.3
6	Citigroup	32	3,046.06	5.1
7	HSBC	37	3,035.46	5.0
8	BAML	29	2,769.39	4.6
9	Barclays	34	2,685.02	4.5
10	Credit Agricole	23	2,037.45	3.4
	Total	**144**	**60,204.33**	

Excluding equity-related debt.

Source: Refinitiv SDC code: B6

ALL ASIAN HIGH-YIELD ISSUERS
1/1/2018–31/12/2018

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Haitong Securities	57	3,135.09	8.4
2	Citic	34	2,812.02	7.5
3	Guotai Junan Securities	53	2,105.41	5.6
4	HSBC	35	2,026.29	5.4
5	Deutsche Bank	28	1,752.44	4.7
6	Credit Suisse	22	1,712.23	4.6
7	Bank of China	25	1,590.07	4.2
8	JP Morgan	8	1,523.42	4.1
9	UBS	27	1,438.07	3.8
10	Goldman Sachs	10	1,282.10	3.4
	Total	**117**	**37,510.15**	

Excluding equity-related debt.

Source: Refinitiv SDC code: B06d

ALL EUROPEAN HIGH-YIELD ISSUERS
1/1/2018–31/12/2018

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Goldman Sachs	46	7,275.92	8.6
2	JP Morgan	47	6,162.62	7.3
3	Deutsche Bank	49	6,081.18	7.2
4	Credit Suisse	42	5,484.41	6.5
5	BNP Paribas	53	5,174.27	6.1
6	Citigroup	37	4,595.57	5.4
7	Barclays	38	4,434.65	5.3
8	BAML	30	3,558.82	4.2
9	HSBC	33	3,342.88	4.0
10	Morgan Stanley	23	3,114.94	3.7
	Total	**148**	**84,415.81**	

Excluding equity-related debt.

Source: Refinitiv SDC code: B06c

MarketAxess data. The bond had since risen slightly to 75 as of last Thursday.

The 9.875% 2025, which was priced in February at 99.34 to yield 10%, dropped multiple points to be quoted on December 24 at 59.50, or a yield of over 22%. It was trading at 60 last Thursday.

Weatherford's share price has also fallen from over US$4 to as low as US$0.23 this year. It was up to US$0.39 last Thursday.

Analysts have been looking at how much additional debt the company could incur under current covenants.

In a November report, research firm Covenant Review argued that Weatherford may be able to incur additional guaranteed debt, as well as refinance senior notes with structurally senior debt.

The company has about US$600m of capacity available under either its credit facilities or general debt baskets, Covenant Review analysts wrote in November.

LARGEST US HIGH-YIELD ETFs DROP TO THREE-YEAR LOWS

Shares in two of the largest exchange traded funds that track the US high-yield bond market dropped to their lowest prices in almost three years in December as a sliding stock market and economic uncertainty weighed on risk appetite.

Shares in the iShares iBoxx $ High Yield Corporate Bond ETF (HYG) and SPDR Bloomberg Barclays High Yield Bond (JNK) ETF fell by 6.67% and 6.02% during the fourth quarter as investors fled risky assets.

HYG and JNK respectively traded as low as US$79.95 and US$33.13 on December 24, their lowest levels since February 2016, based on Refinitiv data. They had recovered slightly to US$81.03 and US$33.56 as of last Thursday.

Investors pulled a record amount of cash from funds tracking the US high-yield bond market last year.

According to JP Morgan analysts citing Lipper data, investors withdrew US$45.1bn from high-yield funds in 2018.

The previous annual high for outflows was in 2014, when investors pulled US$23.8bn from high-yield funds, according to JP Morgan.

While earlier in the year this had been driven mainly by floating-rate products such as leveraged loans being more attractive in a rising rate environment, more recent outflows have also been driven by concerns over the outlook for the US economy in 2019, and expectations of slower rate hikes.

Loan funds also suffered record outflows in the fourth quarter, a trend that has continued in the New Year, with US$2.32bn exiting the asset class in the week ending January 2.

The ICE BAML high-yield index, showing the average spread of high-yield bonds over Treasuries, widened by 63bp over the 10 days to January 3 to 535bp, its widest level since November 2016.

No issuers braved volatile market conditions last month, making it the first December since 2008 in which no new deals were priced.

ASSET SALE BOLSTERS WINDSTREAM BONDS BUT VIEW REMAIN MIXED

While bonds issued by WINDSTREAM SERVICES received a boost last week on news it had sold its consumer internet business, long-term views on the telephone services company remain mixed.

Triple C rated Windstream sold EarthLink to Dallas-based private equity firm Trive Capital for US$330m in cash, which analysts said would likely be used to pay down its revolving facility ahead of an April 2020 maturity date.

CreditSights analysts said that this would be an attempt to provide lenders with an incentive to agree to extend the revolver and Term Loan B.

"The transaction enables us to divest a non-core segment and focus exclusively on our two largest business units," said Tony Thomas, president and CEO of Windstream, on December 31.

"In addition, it improves our credit profile and metrics in 2019 and beyond."

Windstream's 7.75% 2020 was quoted as high as 70.00 on Wednesday, only to end the day at 64.97, about a point lower than where it ended 2018 and still far off the recent high of 78.684 seen on October 25, according to MarketAxess.

The 7.75% 2021, meanwhile, ended Wednesday at 56.50, 1.5 points higher than where it traded on December 31 but far off the 67.94 seen on October 2.

Indeed, the sale has had a mixed reaction from some analysts and investors.

"Selling the assets is a net positive but there's a growing gloomy sentiment in that part of the market in general," said one bond buyer.

Hardline telecoms companies are under pressure from technological disruption and declining demand for wired services, creating a challenging backdrop.

Average telecom bonds in the high-yield sector were trading at 589bp over Treasuries on December 31, according to ICE BAML data, compared with 533bp for the market as a whole.

Windstream is also awaiting the resolution of a court case with hedge fund Aurelius Capital Management over the company's spin-off of Uniti Group in 2015.

Aurelius has claimed that the spin-off was in breach of Windstream's bond covenants and technically put the company in default.

"Given Windstream's challenging business climate and pending litigation with Aurelius we doubt that investors were spraying one another with New Year's champagne following the deal," wrote JP Morgan analyst Thomas Egan in a client note on Tuesday.

"However, we view the asset sale as a positive step to reworking its revolver as well as proof of its ability to monetise a non-core business," he added.

The company also said on December 18 that it had sold fibre assets in Minnesota and Nebraska to Arvig Enterprises in a deal worth a combined US$59.5m.

Analysts at CreditSights said the asset sales were encouraging but that the valuations the company received were low, which they said reflected Windstream's weak negotiating position in the marketplace.

EUROPE/MIDDLE EAST/AFRICA

RECORDATI BONDS DIP AFTER CVC LAUNCHES TAKEOVER BID

Bonds issued to fund CVC Capital Partners' purchase of a €3bn majority stake in Italian pharmaceutical company RECORDATI dipped to their lowest levels since the deal priced, after the private equity group launched a mandatory public tender to acquire the rest of the company.

CVC's purchase was funded by €1.3bn of bonds sold in October and was the largest LBO to come out of Italy. The deal consisted of a €650m seven-year non-call one floater and a €650m seven-year non-call three fixed-rate note.

The 6.75% October 2025s had traded within a band of 99 to 100 from mid-November but were quoted at 98.366 on Thursday, according to Tradeweb data - a day after the tender was announced.

CVC Capital Partners launched the mandatory public tender offer to acquire

AUSTRALIAN DOMESTIC BONDS

BOOKRUNNERS: 1/1/2018–31/12/2018

	Managing bank or group	No of issues	Total A$(m)	Share (%)
1	National Australia Bank	99	27,037.19	21.0
2	ANZ Banking Group	81	25,000.85	19.4
3	Westpac Banking	71	20,308.70	15.8
4	CBA	55	18,421.71	14.3
5	UBS	25	8,048.52	6.3
6	Deutsche Bank	17	6,603.06	5.1
7	Citigroup	17	5,477.85	4.3
8	Macquarie	12	2,093.88	1.6
9	BAML	7	2,002.43	1.6
10	TD Securities	7	1,870.04	1.5
	Total	**183**	**128,706.95**	

Source: Refinitiv SDC code: AJ02

the rest of Italian pharmaceutical company Recordati's shares, following its purchase of a 51.8% controlling stake in October. The tender offer will expire on January 28.

CVC is offering investors €27.55 per share, according to the announcement on the Italian Stock Exchange website.

It remains uncertain how appealing this is, as Recordati shares are currently trading around €30, according to Refinitiv Eikon data.

CVC purchased its initial 51.8% stake of Recordati in June - an unusually low stake for a buyout.

The sponsor had initially agreed to offer the €28 per share implied by the price paid to the Recordati family, which was significantly lower than the share price at the time of the agreement and in line with CVC's desire for a limited stake.

But since June, Italian volatility has pushed shares lower from €34 to mostly below €30.

Size aside, the bond also caught the market's eye for its complicated structure: the notes, while senior secured, were issued by holding company ROSSINI, making them reliant on dividends from the operating company.

But the structure also included €750m of subordinated notes issued to the Recordati family, outside the reach of creditors but financed through the operating company, requiring additional flexibility in the documentation.

Investors also had to grapple with a unique permitted sell-down clause to account for CVC's limited ownership and facilitate its eventual exit. Another innovation was the holding company floater, given that the buyer base for those notes typically opts for priority debt.

DIA BONDS RALLY ON DEBT REFINANCE PLANS

DIA bonds rallied over the New Year after the company said it had agreed a €896m debt refinancing deal with banks, giving it some much needed financial breathing space.

The new deal - split between an up to €215m short-term liquidity and an up to €681m working capital financial instruments - comes with strings attached, however.

The Spanish retailer said on December 31 that in return it has agreed not to distribute dividends to its shareholders without the consent of its bank lenders, to sell its businesses Clarel and Cash & Carry and to a minimum €600m capital raise.

DIA had already entered an underwriting agreement with Morgan Stanley in December for a €600m capital increase, which the bank said it would try to place, or else subscribe to in-full should that fail.

DIA's upcoming maturing bond, a €306m 1.5% July 2019, was seen bid at 74.4 on Friday, up from 70.5 on December 31, according to Tradeweb data.

A €300m 0.875% 2023, its longest maturity, rallied to 59 from 55.

DIA and its primary shareholder LetterOne - the investment vehicle controlled by Russian tycoon Mikhail Fridman - had previously said the retailer would not be able to meet debt payments this year and communicated to creditors the need for them to take a haircut on the debt, according to a report in Spanish daily El Confidencial in December.

Fridman, via financial advisor PJT Partners, told creditors a haircut would be

ALL INTL AUSTRALIAN DOLLAR BONDS
BOOKRUNNERS: 1/1/2018–31/12/2018

	Managing bank or group	No of issues	Total A$(m)	Share (%)
1	TD Securities	76	6,023.42	16.4
2	Nomura	44	3,493.86	9.5
3	RBC	44	3,092.26	8.4
4	ANZ	27	2,885.54	7.9
5	Mizuho	24	2,687.50	7.3
6	Deutsche Bank	31	2,530.12	6.9
7	CBA	19	2,285.15	6.2
8	NAB	15	2,021.47	5.5
9	JP Morgan	12	1,651.39	4.5
10	UBS	8	1,294.18	3.5
	Total	**227**	**36,663.38**	

Including preferreds. Excluding equity-related debt.

Source: Refinitiv SDC code: K1

ALL INTL NEW ZEALAND DOLLAR BONDS
BOOKRUNNERS: 1/1/2018–31/12/2018

	Managing bank or group	No of issues	Total NZ$(m)	Share (%)
1	ANZ	11	1,903.48	26.0
2	NAB	10	1,745.09	23.9
3	TD Securities	8	1,027.53	14.1
4	CBA	7	854.06	11.7
5	Daiwa Securities	6	724.87	9.9
6	Deutsche Bank	1	500.00	6.8
7	Credit Agricole	5	200.00	2.7
8	Sumitomo Mitsui Finl	2	100.70	1.4
9	HSBC	1	45.00	0.6
10	Cooperatieve Rabobank	1	33.21	0.5
	Total	**38**	**7,313.33**	

Including preferreds. Excluding equity-related debt.

Source: Refinitiv SDC code: K4

ALL INTERNATIONAL TURKISH LIRA BONDS
BOOKRUNNERS: 1/1/2018–31/12/2018

	Managing bank or group	No of issues	Total TL(m)	Share (%)
1	Nordea	16	2,056.02	21.9
2	BNP Paribas	3	1,290.00	13.8
3	Citigroup	9	1,266.27	13.5
4	JP Morgan	10	1,131.97	12.1
5	RBC Europe	5	876.53	9.4
6	Sumitomo Mitsui Finl	1	816.50	8.7
7	TD Securities	5	253.78	2.7
8	HSBC	1	250.00	2.7
9	RBC	2	197.09	2.1
10	BAML	1	119.71	1.3
	Total	**59**	**9,369.11**	

Including preferreds. Excluding equity-related debt.

Source: Refinitiv SDC code: K17

ALL EUROPEAN ISSUERS
BOOKRUNNERS: 1/1/2018–31/12/2018

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	BAML	27	7,503.3	8.7
2	Lloyds Bank	28	7,133.1	8.3
3	Citigroup	23	6,598.5	7.7
4	Societe Generale	16	5,649.9	6.6
5	BNP Paribas	23	5,545.9	6.4
6	Barclays	16	4,242.8	4.9
7	Credit Agricole	9	3,799.6	4.4
8	JP Morgan	8	3,549.6	4.1
9	UniCredit	12	3,269.3	3.8
10	Natixis	11	3,210.2	3.7
	Total	**132**	**86,107.9**	

Includes securitisations, credit-linked notes (Euro, foreign, global and domestics) and excludes CDOs.

Source: Refinitiv SDC code: B16n

GLOBAL STRUCTURED FINANCE IN EUROS
BOOKRUNNERS: 1/1/2018–31/12/2018

	Managing bank or group	No of issues	Total €(m)	Share (%)
1	SG	14	4,512.59	10.1
2	Credit Agricole	9	3,129.08	7.0
3	UniCredit	12	2,758.16	6.2
4	Cooperatieve Rabobank	5	2,714.08	6.1
5	BNP Paribas	9	2,374.73	5.3
6	BAML	8	2,355.95	5.3
7	Santander	9	2,243.03	5.0
8	Citigroup	6	2,120.48	4.7
9	Natixis	6	1,905.69	4.3
10	Commerzbank	4	1,842.32	4.1
	Total	**74**	**44,783.37**	

Includes securitisations, credit-linked notes (Euro, foreign, global and domestics) and excludes CDOs.

Source: Refinitiv SDC code: B16g

ALL INTL ISSUERS (EXCLUDING SELF-FUNDED)
BOOKRUNNERS: 1/1/2018–31/12/2018

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Credit Suisse	117	36,922.99	12.1
2	JP Morgan	107	26,675.43	8.8
3	Citigroup	115	24,237.09	8.0
4	BAML	89	20,624.63	6.8
5	Wells Fargo	79	18,913.69	6.2
6	Barclays	77	17,360.59	5.7
7	Deutsche Bank	80	15,194.24	5.0
8	Lloyds Bank	27	14,978.63	4.9
9	Goldman Sachs	63	14,277.16	4.7
10	Morgan Stanley	47	11,677.22	3.8
	Total	**566**	**304,656.99**	

Includes securitisations, PFI bonds and credit-linked notes. Excludes US global ABS/MBS, CDOs and self funded issues.

Source: Refinitiv SDC code: J10d

Lloyds issues first Sonia securitisations

■ **MORTGAGE-BACKED SECURITIES Retained RMBS used to test-drive structuring**

LLOYDS BANK issued two Sonia-linked securitisations at the end of 2018, retaining an RMBS issue it said was the first ever Sonia securitisation and then placing a credit-linked note off a credit risk transfer CMBS.

The retained RMBS, called **ELLAND RMBS 2018**, was designed primarily to provide Triple A collateral, but Lloyds also used it to test-drive a Sonia structuring.

The second deal was **WETHERBY 2**, a synthetic securitisation that sold a first-loss CLN with investors, referencing a portfolio of UK commercial real estate loans.

Both deals issued notes that pay a margin over Sonia instead of Libor. Libor is due to be phased out by the end of 2021.

Lloyds issued the first Sonia covered bond in September last year, the same month that UK regulators wrote to CEOs of banks and insurers – the so-called "Dear CEO" letter – asking them how prepared they were to transition away from Libor.

It was promptly followed by Santander UK, Coventry and Yorkshire, and last week Nationwide sold its debut Sonia covered.

Under more benign market conditions a series of Sonia securitisations would also be lining up in the January ABS pipeline. But the sterling market suffered last year from uncertainty about Brexit and fears that new securitisation legislation would initially discourage bank treasury accounts from investing.

Those concerns persist, and issuers may be unwilling to add another element of risk in the form of a brand new benchmark.

"Sonia is one of the smaller road bumps out there and if people can avoid [it] they may opt to do so," said one investor.

"Do you want to complicate matters further?" asked a syndicate official. He said that although most covered bond investors now appeared comfortable with the new benchmark, some securitisation investors might have specific concerns.

One is liquidity. Systems used to book deals and calculate yields are not yet able to cope with Sonia calculations for amortising bonds, which could discourage accounts expecting to trade in and out of the paper.

Some other investors have mandates for FRNs that specify eligible benchmarks and would need to be updated to include Sonia.

On the issuer side, UK banks have less incentive to bring a Sonia deal given that pricing three-year or five-year sterling paper is not attractive in current market conditions.

Sticking to a shorter two-year tenor would be easier simply in terms of price, but would also mean the bonds matured before the Libor replacement deadline and would not need to use the Sonia benchmark.

Master trust issuers may be reluctant to take the plunge and make the switch immediately. Conservative trustees could decide that adding Sonia swaps into structures and issuing Sonia notes requires the approval of bondholders in previous series of notes from the vehicles, a time-consuming and costly process.

Lloyds' retained Sonia RMBS, Elland RMBS 2018, issued four tranches of Triple A notes and one unrated junior piece for a total of £7.6bn. The deal securitises prime UK owner-occupied mortgages originated under Lloyds' Halifax brand.

The Sonia benchmark is the same that has been used in other bonds – compounded daily with a five-day observation lag.

Moody's analyst Torsten Komorek said in a note that Elland was credit positive for the market because it reduces uncertainty around the Libor phase-out and supports the growth of Sonia-linked interest rate swaps.

Elland uses a fixed-to-Sonia swap provided by Bank of Scotland. The structure becomes exposed to basis risk as underlying mortgages leave their fixed rate period and switch to a standard variable rate.

The synthetic CMBS, Wetherby 2, sold a £142.5m CLN shifting the 0% to 9.5% layer of risk from a £1.5bn portfolio of Lloyds UK CRE loans.

The CLN was placed with investors for an undisclosed margin over Sonia.

Chris Moore

necessary before a further investment in the company, that report said.

It is not clear what Fridman's next move will be. The shareholder had previously opposed the €600m raise, as he was looking to take control of the company, according to an El Confidencial report on January 2.

DIA's new bank financing will mature on May 31 2019, except for various tranches of minor amounts with maturity dates in 2020 and 2022.

DIA's descent into junk has been swift and deep. The company was rated investment-grade in just October, when both Moody's and S&P junked it in multi-notch downgrades after a profit warning and restatement of its equity level.

DIA is now rated Caa1 and CCC+ by Moody's and S&P.

NYRSTAR BONDS STUCK AFTER DOWNGRADE

NYRSTAR's bonds are languishing in the wake of a late-December downgrade by Moody's, which said the company is at risk of a default event after signing a US$650m trade finance framework agreement with Trafigura.

Moody's downgraded the Belgian metals and mining company's €340m 8.5% September 2019 and €500m 6.875% March 2024s by one notch to Caa2 on December 21 as a result of increased subordination.

Both bonds are unsecured and rank below the new facility.

The 2019s were bid at 41.63 at the time IFR went to press early Friday afternoon, according to Refinitiv data, flattish to pre-downgrade levels but down from a 102 handle as recently as August. The 2024s were at 36.822, down from around 90 over the same period.

Trafigura granted the June 2020 facility in November. While providing some relief to Nyrstar, it cannot be used to repay or refinance existing bonds or other debt - a blow to bondholders.

Moody's also put all Nyrstar ratings on review for downgrade, reflecting "the possibility that Nyrstar's capital structure review could result in a default in accordance with Moody's default definitions".

The September 2019 bond is a significant upcoming maturity which some analysts are worried the company may not be able to refinance.

"The agreement brings much-needed relief to Nyrstar, but we note that the company still has to find a way to refinance its 2019 bonds," analysts at Lucror Analytics wrote in November.

Since its third quarter results announcement and a profit warning in October, Nyrstar has experienced increased working capital requirements that have impacted its liquidity.

The company announced a capital structure review on October 30 and has appointed Freshfields Bruckhaus Deringer as its legal adviser and Alvarez & Marsal to assist on the review, both working alongside Morgan Stanley.

STRUCTURED FINANCE

EMEA MBS

NATWEST ARRANGES NON-CONFORMING WAREHOUSE FOR WEST ONE LOANS

NatWest has arranged and underwritten a warehouse securitisation of non-conforming second-charge UK mortgages for WEST ONE LOANS.

Specialist lender West One Loans is part of Enra Group, itself owned by private equity firm Exponent.

An initial £56.5m variable funding notes, rated A2 by Moody's, have been issued by the SPV, WOSL SPV 1. The coupon is 215bp over one-month Libor.

The maximum size of the VFNs is £100m, and the deal revolves for two years. There is also an unrated subordinated loan.

The initial portfolio comprises £73.5 million second-charge mortgages. Moody's says the expected loss is 9.5%, higher than its 5.9% average for UK non-conforming RMBS.

There is a maximum 10% bucket for borrowers with one or more CCJs and a 1.5% limit on borrowers with three or more CCJs. Buy-to-let mortgages are capped at 25%, and self-employed borrowers at 60%.

The deal closed on December 21 2018 and matures on November 30 2020.

EMEA ABS

ITALIAN NPL FLURRY SQUEEZED OUT BEFORE CHRISTMAS

Details on four Italian non-performing loan securitisations emerged in the week before Christmas, for €6.5bn in gross book value.

BANCA NAZIONALE DEL LAVORO placed two tranches off JUNO 1, a deal that had been structured and fully retained in July.

The unrated €26m Class B and €1.9m Class J were placed with investors. Their respective coupons are 800bp over Euribor and 10% plus variable return.

BNL continues to retain the €136m Class A, which is eligible for the government GACS guarantee.

The notes are backed by a portfolio with a €956m gross book value.

BNP Paribas was arranger, and sole placement agent for Classes B and J.

Three further Italian NPL securitisations all involve JP Morgan as a co-arranger.

JP Morgan was co-arranger with *Banca IMI* on RIVIERA NPL, jointly originated by BANCA CARIGE and BANCA DEL MONTE DI LUCCA.

The deal is backed by an NPL portfolio with a €964m gross book value. It issued a €175m Class A, rated Baa3/BBB– by Moody's and Scope, that pays 65bp over six-month Euribor.

A €30m Ca/B+ Class B pays 700bp over Euribor and an unrated €10m Class J pays Euribor plus 10% plus a variable return.

JP Morgan was also co-arranger – with *Iccrea Banca* – on another multi-originator NPL ABS, BCC NPLS 2018-2. The deal securitises assets originated by 73 Italian banks.

Rating reports for BCC NPLs 2018-2 indicate the Class A is eligible for the government GACS guarantee. That senior

GLOBAL SECURITISATIONS IN STERLING
BOOKRUNNERS: 1/1/2018–31/12/2018

	Managing bank or group	No of issues	Total £(m)	Share (%)
1	Lloyds Bank	22	3,246.1	16.0
2	BAML	20	2,974.4	14.7
3	Citigroup	12	2,136.3	10.6
4	Barclays	10	1,726.0	8.5
5	BNP Paribas	12	1,649.9	8.2
6	HSBC	9	1,189.4	5.9
7	JP Morgan	5	1,147.7	5.7
8	MUFG	1	1,006.2	5.0
9	Morgan Stanley	5	985.9	4.9
10	RBS	5	906.1	4.5
	Total	**53**	**20,235.1**	

Including Euro, foreign, global and domestics, excluding CDOs.

Source: Refinitiv SDC code: B16i

SECURITISATIONS – ALL EUROPEAN RMBS
BOOKRUNNERS: 1/1/2018–31/12/2018

	Managing bank or group	No of issues	Total €(m)	Share (%)
1	BAML	20	3,979.1	12.2
2	Lloyds Bank	16	3,633.9	11.2
3	Citigroup	11	3,174.8	9.8
4	Cooperatieve Rabobank	5	2,714.1	8.3
5	BNP Paribas	11	2,603.4	8.0
6	Morgan Stanley	9	2,165.9	6.7
7	Societe Generale	4	1,845.9	5.7
8	JP Morgan	6	1,764.0	5.4
9	Natixis	6	1,715.4	5.3
10	Barclays	9	1,634.0	5.0
	Total	**58**	**32,557.2**	

Including Euro, foreign, global and domestics, excluding CDOs.

Source: Refinitiv SDC code: B10a

EUROPEAN CLOs
BOOKRUNNERS: 1/1/2018–31/12/2018

	Managing bank or group	No of issues	Total €(m)	Share (%)
1	Citigroup	6,137.27	15	22
2	Barclays	4,769.83	11	17
3	Credit Suisse	3,713.10	9	14
4	Morgan Stanley	3,326.77	8	12
5	BAML	3,300.30	8	12
6	BNP Paribas	2,483.57	6	9
7	JP Morgan	1,596.80	4	6
8	Goldman Sachs	1,212.20	3	4
9	Deutsche Bank	410.25	1	2
10	NatWest/Greensledge	335.86	1	1
	Total	**27,285.95**	**66**	

Including Leveraged Loans CLOs

Source: Refinitiv

GLOBAL CDOs
BOOKRUNNERS: 1/1/2018–31/12/2018

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Citigroup	81	39,597.53	20.7
2	Morgan Stanley	17	7,900.15	4.1
3	BAML	18	7,519.76	3.9
4	Credit Suisse	14	6,467.20	3.4
5	BNP Paribas	17	6,233.55	3.3
6	Deutsche Bank	10	5,483.60	2.9
7	Goldman Sachs	13	4,996.12	2.6
8	JP Morgan	16	3,931.93	2.1
9	Barclays	14	3,212.62	1.7
10	Jefferies	7	3,043.65	1.6
	Total	**395**	**191,170.95**	

Including Euro, foreign, global, US domestics.

Source: Refinitiv SDC code: B12

ALL EUROMARKET CDOs
BOOKRUNNERS: 1/1/2018–31/12/2018

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Citigroup	23	9,531.33	12.8
2	Credit Suisse	12	5,295.90	7.1
3	Morgan Stanley	10	4,593.75	6.2
4	BNP Paribas	12	4,458.20	6.0
5	BAML	12	4,331.06	5.8
6	Goldman Sachs	9	2,984.81	4.0
7	Barclays	13	2,806.32	3.8
8	Deutsche Bank	5	2,672.09	3.6
9	JP Morgan	6	1,512.22	2.0
10	Wells Fargo	4	899.24	1.2
	Total	**157**	**74,300.85**	

Excludes global and domestic.

Source: Refinitiv SDC code: J11

GLOBAL STRUCTURED FINANCE IN US$
BOOKRUNNERS: 1/1/2018–31/12/2018

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Citigroup	288	100,118.16	14.3
2	JP Morgan	248	81,205.28	11.6
3	Credit Suisse	218	78,105.60	11.2
4	Wells Fargo	216	73,888.46	10.6
5	BAML	197	63,293.97	9.0
6	Goldman Sachs	145	45,643.32	6.5
7	Morgan Stanley	117	38,855.92	5.5
8	Barclays	135	34,784.01	5.0
9	Deutsche Bank	129	30,432.35	4.3
10	Nomura	84	23,212.26	3.3
	Total	**1,312**	**700,360.86**	

Including securitisations (Euro, foreign, global and domestics, excluding CDOs) and PFI bonds.

Source: Refinitiv SDC code: B16b

tranche, sized at €478m and rated BBBL/BBB by DBRS and Scope, pays 30bp over six-month Euribor.

There is also a CCC/B+ Class B for €60.13m paying 600bp over Euribor and an unrated €20.04m Class J paying 12% plus a variable return. Classes B and J were placed with investors.

The portfolio has a €2bn gross book value.

Also issued in December was BELVEDERE SPV. The deal securitises NPL portfolios sold to the issuer by five SPVs sponsored by real estate servicer BAYVIEW ITALIA, owned by asset manager Bayview.

JP Morgan and *Mediobanca* were co-arrangers.

Around 35% of the €2.54bn portfolio was originated by Intesa Sanpaolo and transferred to a Bayview SPV in 2017, with the rest originated by various local cooperative banks, or BCCs.

Moody's says the deal is the first from Italy to pool NPLs originated by multiple banks without a public guarantee.

The deal issued a €320m Class A rated Baa2/BBBL/BBB by Moody's, DBRS and Scope and pays 325bp over six-month Euribor.

Below that are two unrated tranches, a €70m Class B fixed rate paying 6% and a €95m Class J paying 10% plus a variable return.

SANTANDER PLACES SPANISH SYNTHETIC AUTO TRADE

SANTANDER CONSUMER FINANCE closed a rare synthetic auto ABS in December. Auto loan securitisations are typically in cash format and used for funding, but Santander Consumer's latest Spanish deal was structured as a synthetic balance sheet CLO.

It is designed to shift credit risk from a portfolio of new and used auto loans, reducing risk weighted assets and regulatory capital for BANCO SANTANDER.

Arranged by *Santander*, SANTANDER CONSUMER SPAIN SYNTHETIC AUTO 2018-1 issued an unrated €60.6m credit-linked note paying an 8.9% coupon. It was privately placed.

The reference portfolio pools €1.01bn Spanish auto loans and has a one-year replenishment period.

The notes were listed on Spanish alternative fixed income market MARF.

Santander Consumer's German arm SANTANDER CONSUMER BANK was also active in December with a privately placed German consumer loans deal, although the ABS was in cash format.

SC GERMANY CONSUMER 2018-1 placed three mezzanine tranches, with the rest of the structure retained.

It sold a €60m Class C, rated BBB/BBB by Standard & Poor's and DBRS, at 2.5%. The €20m BB/BBH Class D came at 3.25% and the €122m unrated Class E at 12.18%.

The deal's 1.304bn AA–/AAL Class A was retained, as was a €68m A/A Class B, and the junior €26m Class F. A 5% portion of Classes C to E was also retained for risk retention purposes.

The deal securitises a €1.599bn portfolio of 176,352 contracts with an average outstanding amount of €9,073 and a weighted average interest rate of 6%.

US ABS

GM TO RE-OPEN US ABS

GENERAL MOTORS is poised to re-open the US ABS market next week with a near-US$1.25bn auto loan securitisation that will be a barometer of investor appetite in the new year.

The bonds, from lending affiliate GM FINANCIAL, come after a rocky end to 2018 when borrowing costs jumped - for all borrowers.

The hope is that GM's seven-part prime auto deal, called GMCAR 2019-1, will help the auto ABS market find its feet after months of losing ground.

Triple A rated prime auto paper widened by 22bp-24bp in the fourth quarter, while Triple A sub-prime gapped out by 25bp-31bp, according to Wells Fargo data.

"We think it's going to be a really tough year," said Jennifer Thomas, a structured finance analyst at Loomis Sayles.

But she also views ABS as one of the safer bets to make in the year ahead since consumer balance sheets are healthier than US companies and ABS is mostly shorter-dated paper that repays as borrowers make monthly loan payments.

"I would view it as a more defensive play," Thomas said of the ABS sector. "It is shorter duration and you still have a deleveraging structure with the ability to get cash quickly and reinvest."

While GM isn't officially slated to roll out its new auto deal until early next week, bankers have circulated initial whispers at more defensive levels than its prior trade in October, according to IFR data.

Its US$426m class of 2.56-year Triple As was pre-marketing at whispers in the 30bp to low 30bp range over interpolated swaps, according to an investor.

In the third quarter GM sold similar bonds at 22bp over interpolated swaps and placed another parcel last January at 14bp over the same benchmark, according to IFR data.

It would confirm forecasts of tougher deal execution for borrowers even with the strong performance outlook for ABS.

"We expect ABS spreads will be relatively well behaved next year and stay within their recent ranges as solid credit fundamentals should guard against negative volatility," JP Morgan analysts wrote in their ABS outlook.

"Unfortunately, the upside to tighter ABS spreads also seems limited by increasing recession risks with the possible accompanying potential for negative market sentiment."

RBC is structuring GM's new auto loan securitisation with *Bank of America Merrill Lynch*, *Credit Agricole* and *MUFG* and joint lead managers.

ASIA-PACIFIC MBS

COLUMBUS SETS SAIL

Non-bank lender COLUMBUS CAPITAL has mandated *NAB* for a potential offering off its Triton RMBS programme in early 2019.

In July last year, Columbus Capital sold a A$700m (US$497m) equivalent dual-currency prime RMBS, Columbus Capital Triton 2018-1, that included US$100m of Class A1-US notes.

STRUCTURED FINANCE – ALL INTL ISSUERS
BOOKRUNNERS: 1/1/2018–31/12/2018

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Credit Suisse	119	37,474.96	11.0
2	JP Morgan	111	28,643.25	8.4
3	Citigroup	120	25,449.30	7.5
4	BAML	98	23,640.22	7.0
5	Wells Fargo	88	21,662.42	6.4
6	Barclays	88	20,490.23	6.0
7	Lloyds Bank	32	17,347.43	5.1
8	Goldman Sachs	71	16,811.67	5.0
9	Deutsche Bank	83	16,145.58	4.8
10	Morgan Stanley	51	12,783.44	3.8
	Total	**631**	**339,548.59**	

Includes securitisations, PFI bonds, self-funded issues and credit-linked notes. Excludes US global ABS/MBS and CDOs.

Source: Refinitiv SDC code: J10c

US ASSET-BACKED SECURITIES
BOOKRUNNERS: 1/1/2018–31/12/2018

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Citigroup	178	60,448.33	15.1
2	JP Morgan	119	29,233.72	7.3
3	BAML	98	26,670.60	6.7
4	Deutsche Bank	97	22,444.89	5.6
5	Barclays	93	21,694.65	5.4
6	Wells Fargo	87	17,786.00	4.4
7	RBC	64	17,475.26	4.4
8	Goldman Sachs	56	12,339.90	3.1
9	Credit Suisse	65	12,309.01	3.1
10	Mizuho	48	11,869.94	3.0
	Total	**749**	**400,913.11**	

Excludes MBS.

Source: Refinitiv SDC code: F14

GLOBAL BOND SUMMARY DETAILS: WEEK ENDING 4/1/2019

Pricing date	Issuer	Amount	Maturity	Coupon (%)	Reoffer	Spread (bp)	Yield (%)
SSAR							
EUROS							
Jan 3 2019	EBRD Green	€600m	Jan 10 2024	0	99.9	MS-13 / B+399	0.02
Jan 3 2019	Lower Saxony	€500m incr (€1.25bn)	Sep 23 2033	1.125	99.342	MS+7 / B+90.6	1.174
Jan 3 2019	KBN	€100m	Jan 16 2026 (Jan 2020)	0.34	100	-	0.34
Jan 3 2019	KfW	€1bn incr (€4bn)	May 25 2021	0	100.962	MS-25 / B+21.6	-0.403
Jan 4 2019	KfW	€100m	Jan 15 2026 (Jan 2020)	0.325	100	-	0.325
Jan 4 2019	L-Bank	€100m	Jan 16 2026 (Jan 2020)	0.325	100	-	0.325
STERLING							
Dec 17 2018	KfW	£150m incr (£1.9bn)	Feb 1 2021	1.375	100.654	-	1.055
Jan 2 2019	EIB	£1bn	Jan 10 2022	Sonia+28	100	Sonia+28	-
Jan 2 2019	KfW	£1.25bn	Dec 7 2021	1.125	99.832	G+45	1.181
Jan 4 2019	ADB	£200m incr (£800m)	Oct 12 2023	Sonia+25	99.723	Sonia+31	-
Jan 4 2019	BNG	£500m	Dec 15 2021	1.25	99.863	G+55	1.294
Jan 4 2019	SEK	£250m	Dec 15 2023	1.375	99.736	G+56	1.426
NON CORE							
Dec 17 2018	Muni Fin	NKr100m incr (NKr1.35bn)	Jan 10 2022	3mN+125	-	-	-
Dec 17 2018	IFC	SKr200m incr (SKr300m)	Apr 18 2048	1.865	103.245	-	-
Jan 3 2019	EIB	NKr250m incr (NKr5.8bn)	May 12 2022	1.5	100.75	-	1.268
Jan 3 2019	EIB	SKr250m incr (SKr4bn)	May 12 2028	1.375	103.32	-	1.001
Jan 4 2019	KfW	NKr500m incr (NKr3bn)	Oct 12 2021	1	-	-	-
CORPORATES							
US DOLLARS							
Jan 3 2019	Duke Energy Ohio	US$400m	Feb 1 2029	3.65	99.96	T+110	3.655
Jan 3 2019	Duke Energy Ohio	US$400m	Feb 1 2049	4.3	99.81	T+140	4.311
Jan 3 2019	Entergy Texas	US$300m	Mar 30 2029	4	99.81	T+145	4.023
Jan 3 2019	Entergy Texas	US$400m	Mar 30 2039	4.5	99.73	T+160	4.521
Jan 3 2019	Ford Motor Credit Co	US$675m	Jan 7 2021	5.085	100	T+270	5.085
Jan 3 2019	Ford Motor Credit Co	US$325m	Jan 7 2021	3mL+255	100	3mL+255	3mL+255
Jan 3 2019	Ford Motor Credit Co	US$1.4bn	Jan 7 2022	5.596	100	T+325	5.596
Jan 3 2019	Ford Motor Credit Co	US$350m	Jan 7 2022	3mL+314	100	3mL+314	3mL+314
Jan 3 2019	Toyota Motor Credit Corp	US$700m	Jan 8 2021	3.05	99.94	T+70	3.081
Jan 3 2019	Toyota Motor Credit Corp	US$300m	Jan 8 2021	3mL+54	100	3mL+54	3mL+54
Jan 3 2019	Toyota Motor Credit Corp	US$500m	Jan 8 2024	3.35	99.97	T+100	3.695
Jan 3 2019	Toyota Motor Credit Corp	US$500m	Jan 8 2029	3.65	99.63	T+115	3.695
EUROS							
Jan 3 2019	RCI Banque	€750m	Jul 11 2024	2	99.63	MS+185 / B+238.6	2.073

Pricing steps	NIP (bp)	Book size	Ratings	Bookrunners	Distribution
MS-12 area	-5 vs USD	>€680m	Aaa/AAA/AAA	BAML/CA-CIB/MS	Neth 43%, UK 22%, Fr 21%, RoEur 9%, Asia 5%. AM 54%, Bks 37%, CB/OI 9%. SRI >66%.
MS+7 area	5	>€700m, 30acs	-/-/AAA	Deka/DZ/JPM/NordLB/TD	Ger 74%, Fr 14%, RoEur 10%, Other 2%. Bks 44%, AM 36%, Ins 20%.
-	-	-	Aaa/AAA	Nordea	-
-	-	-	Aaa/AAA/Scope AAA	GS	-
-	-	-	Aaa/AAA	MS	-
-	-	-	Aaa/AAA	Uni	-
-	-	-	Aaa/AAA/Scope AAA	NatWest	-
Sonia+30 area(I/G), Sonia+29 area	2	>£1.3bn	Aaa/AAA/AAA	DB/HSBC/RBC/TD	-
G+46 area (I/G)	3	>£1.8bn	Aaa/AAA/Scope AAA	Barc/BAML/Citi	-
Sonia+31 area(I/G)	-	-	Aaa/AAA/AAA	BAML/RBC/TD	-
G+55 area(I/G)	-	-	Aaa/AAA/AA+	BAML/DB/RBC	-
G+56 area(I/G)	-	-	Aa1/AA+	Citi/HSBC/NatWest	-
-	-	-	Aa1/AA+	Nordea	-
-	-	-	Aaa/AAA	SEB	-
-	-	-	Aaa/AAA/AAA	BNPP	-
-	-	-	Aaa/AAA/AAA	BNPP	-
-	-	-	Aaa/Aaa/Scope AAA	Danske	-
T+120/125, T+115 (+/-5)	5	US$950m	A2/A	Citi/CS/GS/USB	-
T+150/155, T+145 (+/-5)	5	US$1.2bn	A2/A	Citi/CS/GS/USB	-
T+140/145,	27	US$1bn combined	Baa1/A	BNP/Key/Miz/MUFG/Scotia	-
T+160 area,	28	US$1bn combined	Baa1/A	BNP/Key/Miz/MUFG/Scotia	-
T+287.5 area, T+270 (the #)	35	US$2.05bn	Baa3/BBB/BBB	BNPP/DB/Miz/MS	-
3mL equiv, 3mL equiv	FRN	US$600m	Baa3/BBB/BBB	BNPP/DB/Miz/MS	-
T+337.5 area, T+325 (the #)	35	US$2bn	Baa3/BBB/BBB	BNPP/DB/Miz/MS	-
3mL equiv, 3mL equiv	FRN	US$450m	Baa3/BBB/BBB	BNPP/DB/Miz/MS	-
T+85 area, T+70/75	8	US$2.1bn	Aa3/AA-	BAML/BNP/JPM/Lloyds/MS	-
3mL equiv, 3mL equiv	FRN	US$1.05bn	Aa3/AA-	BAML/BNP/JPM/Lloyds/MS	-
T+110 area, T+100/105	13	US$900m	Aa3/AA-	BAML/BNP/JPM/Lloyds/MS	-
T+125 area, T+115/120	14	US$650m	Aa3/AA-	BAML/BNP/JPM/Lloyds/MS	-
MS+190/195	30	>€1bn	Baa1/BBB	Citi/HSBC/Natx/Uni	Ger/Aus 28%, Fr 21%, Benelux 18%, Nordics 13%, UK/Ire 11%, Iberia 5%, It 3%, Other 1%. AM 75%, Ins/PF 18%, CB/OI/SSA 4%, Bks/Trusts 3%.

GLOBAL BOND SUMMARY DETAILS: WEEK ENDING 4/1/2019 (CONTINUED)

Pricing date	Issuer	Amount	Maturity	Coupon (%)	Reoffer	Spread (bp)	Yield (%)
Jan 3 2019	Toyota Motor Finance (Netherlands)	€500m	Jan 10 2022	0.25	99.675	MS+45 / B+95.3	0.359
NON CORE							
Jan 4 2019	Hemso Fastighets	SKr300m	Jan 11 2022	0.77	100	-	0.77
FINANCIALS							
US DOLLARS							
Jan 3 2019	Berkshire Hathaway Finance Corp	US$1.25bn	Jan 15 2049	4.25	98.98	T+140	4.311
Jan 3 2019	BNP Paribas	US$1.7bn	Jan 10 2025	4.705	100	T+235	4.705
Jan 3 2019	BNP Paribas	US$900m	Jan 10 2030	5.198	10	T+265	5.198
SWISS FRANCS							
Jan 3 2019	ZKB	SFr130m	Jan 25 2027	0.15	100.06	MS+8 / Eidg+58	0.142
NON CORE							
Jan 2 2019	Landshypotek Bank	SKr1bn	Jul 9 2021	3mS+100	101.412	3mS+44	-
COVERED BONDS							
EUROS							
Jan 2 2019	Commerzbank	€750m	Jan 9 2024	0.125	99.597	MS+6 / B+59.1	0.206
Jan 2 2019	Commerzbank	€750m	Jan 9 2034	1.25	99.431	MS+19 / B+86.5	1.292
Jan 3 2019	ABN Amro	€750m	Jan 10 2034	1.375	99.879	MS+26 / B+92.9	1.384
Jan 3 2019	BMO	€1.25bn	Jan 10 2024	0.25	99.574	MS+18 / B+71.3	0.336
Jan 3 2019	LBBW	€750m	Jan 14 2026	0.375	99.293	MS+5 / B+58.5	0.478
Jan 4 2019	BayernLB	€500m	Jan 14 2025	0.25	99.449	MS+4 / B+61	0.343
Jan 4 2019	BNS	€1.25bn	Jan 11 2024	0.25	99.525	MS+18 / B+71.3	0.346
Jan 4 2019	UniCredit Bank (HVB)	€500m	Jan 11 2029	0.875	99.553	MS+15 / B+73.5	0.922
STERLING							
Jan 3 2019	Nationwide BS	£1bn	Jan 10 2024	Sonia+75	100	Sonia+75	-
NON CORE							
Jan 3 2019	LF Hypo	SKr800m incr (SKr2.35bn)	Nov 28 2023	3mS+75	102.047	3mS+33	-
Jan 3 2019	LF Hypo	SKr300m incr (SKr2.65bn)	Nov 28 2023	3mS+75	-	-	-
HIGH YIELD							
No deals this week							

Pricing steps	NIP (bp)	Book size	Ratings	Bookrunners	Distribution
MS+60 area	13	>€1.9bn	Aa3/AA-	CA-CIB/HSBC/MUFG/SG/SMBCNikko	Fr 31%, Ger/Aus. 25%, UK/Ire 15%, Benelux 18%, Sp/Port 6%, Switz 3%, Other 2%. FM 67%, Ins/PF 20%, Bks/PB 6%, OI 3%, Other 4%.
-	-	-	-/A-	Danske	-
T+150/155, T+140 (the #)	7	US$3.5bn	Aa2/AA/A+	BAML/GS/JPM/WFS	-
T+240 area, T+235 (the #)	30-35 vs EUR	US$2.4bn	Baa1/A-/A+	BNP	-
T+265/270, T+265 (the #)	30-35 vs EUR	US$1.4bn	Baa1/A-/A+	BNP	-
MS+8	0	SFr130m, 27 acs	Aaa/AAA/AAA	ZKB	Switz 100%. AM 55%, PF 23%, Bks 12%, Ins 10%.
-	-	-	-/A-/A	Dankse	-
MS+7 area	7	>€930m, >50acs	Aaa	CMZ/CS/LBBW/SG/Uni	Ger 63%, Benelux 24%, UK 4%, Aus 3%, It 2%, Asia 2%, Other 2%. Bks 45%, FM 26%, Gov/Agcy 23%, Ins/PF 6%.
MS+20 area	8	>€770m, 27acs	Aaa	CMZ/CS/LBBW/SG/Uni	Ger 88%, Fr 9%, UK 1%, Other 2%. Ins/PF 37%, Gov/Agcy 27%, FM 27%, Bks 9%.
MS+26 area	10	>€800m	Aaa/-/AAA	ABN/Barc/Helaba/LBBW/NatWest	-
MS+22 area	5	>€1.75bn	Aaa/-/AAA/AAA	BMO/BNPP/CA-CIB/DB/HSBC	Ger/Aus 41%, UK/Ire 25%, Fr 10%, Nordics 9%, Asia 6%, Benelux 5%, CEEMA 3%, Other 1%. Bks 55%, OI 18%, FM 17%, Ins/PF 8%, Corp 2%.
MS+6 area	6	€1.2bn, 65acs	Aaa	CA-CIB/Erste/ING/LBBW/Natx/Nordea	Ger 68.3%, Asia 7.5%, Fr 7.1%, Benelux 4.8%, Nordics 4.4%, Aus/Switz 4.2%, UK/Ire 2.7%, It 1%. Bks 56.3%, Ins/PF 18.3%, FM 13.3%, CB/OI 12.1%.
MS+5 (+/-1)	4	>€1bn, >65acs	Aaa	BLB/CA-CIB/Helaba/ING/SG	Ger/Aus 84%, Benelux 9%, Fr 5%, It 1%, Other 1%. Bks 27%, Savings/Coop 20%, Ins/PF 20%, AM 18%, CB/OI 14%, Other 1%.
MS+20 (+/-2)	1	>€1.5bn	Aaa/-/AAA/AAA	HSBC/LBBW/RBC/Scotia/UBS	-
MS+15 area	5	>€625m	Aaa/-/AAA	BLB/DB/Helaba/NatWest/Uni	-
Sonia+77 area	5	>£1.2bn, 36acs	Aaa/AAA/AAA	Lloyds/NatWest/RBC/TD	UK 99%, Other 1%. Bks 73%, AM 25%, OI 2%.
-	-	-	Aaa/AAA	Danske	-
-	-	-	Aaa/AAA	Swed	-

GLOBAL DEBT: SOVEREIGN FOREIGN CURRENCY LONG-TERM RATINGS (4/1/2019)

Sovereign	Moody's 1	Moody's 2	S&P 3	S&P 4	Fitch 5	Fitch 6
Abu Dhabi	Aa2		AA	AA+	AA	AA+
Albania	B1	Ba2	B+	BB		
Andorra		W	BBB	AAA	BBB p	A–
Angola	B3	B1	B–	B–	B	B
Argentina	B2	B1	B	B+	B n	B
Armenia	B1 p	Ba2			B+ p	BB–
Aruba			BBB+	BBB+	BBB– n	BBB
Australia	Aaa	Aaa	AAA	AAA	AAA	
Austria	Aa1	Aaa	AA+	AAA	AA+ p	AAA
Azerbaijan	Ba2	Ba2	BB+	BB+	BB+	BB+
Bahamas	Baa3 n	Baa1	BB+	BBB–		
Bahrain	**B2****	Ba3	B+	BB–	BB–	BBB–
Bangladesh	Ba3	Ba2	BB–	BB–	BB–	BB
Barbados	Caa3	Caa2	B-	B-		
Belarus	B3	B3	B	B	B	B
Belgium	Aa3	Aaa	AA	AAA	AA–	AAA
Belize	B3	B1	B–	B–		
Bermuda	A2	Aa3	A+ p	AA+		
Bolivia	Ba3	Ba2	BB–	BB–	BB–	BB–
Bosnia Herzegovina	B3	B3	B	BB–		
Botswana	A2	Aa3	A–	A+		
Brazil	Ba2	Ba1	BB–	BB+	BB –	BB
Bulgaria	Baa2	A3	BBB–	A–	BBB	A–
Cambodia	B2	B1				
Cameroon	B2	Ba2	B	BBB–	B	BB+
Canada	Aaa	Aaa	AAA	AAA	AAA	AAA
Cape Verde			B	BB–	B	B+
Cayman Islands	Aa3	Aa2				
Chile	A1	Aa1	A+	AA	A	AA
China	A1	Aa3	A+	A+	A+	A+
Colombia	Baa2	A3	BBB–	BBB+	BBB	BBB+
Congo (DR)	B3 n	B3	B-	BBB-		
Congo (Rep)	Caa2 n	B2	CCC+	BBB–	CC	B+
Cook Islands			B+	AAA		
Costa Rica	B1n	Ba2	**B+n ▼**	**BB ▼**	BB n	BB+
Cote d'Ivoire	Ba3	Baa3			B+	BBB–
Croatia	Ba2	Baa3	BB+	BBB+	BB + p	BBB
Cuba	Caa2	Caa2				
Curacao			A–	A–		
Cyprus	Ba3 p	A3	BBB-	AAA	BBB –	A
Czech Rep	A1	Aa2	AA–	AA+	AA-	AAA
Denmark	Aaa	Aaa	AAA	AAA	AAA	AAA
Dominican Rep	Ba3	Ba1	BB–	BB+	BB–	BB–
Ecuador	B3 n	B2	B–	B–	B –	B –
Egypt	B3 p	B2	B	B	B p	B
El Salvador	B3	B1	CCC+ p	AAA	B–	B
Estonia	A1	Aaa	AA–	AAA	A+ p	AAA
Ethiopia	B1	B1	B	B	B	B
Fiji	Ba3	Ba3	B+	B+		
Finland	Aa1	Aaa	AA+	AAA	AA+ p	AAA
France	Aa2 p	Aaa	AA	AAA	AA	AAA
Gabon	B3 n	Ba3			B	BB+
Georgia	Ba2	Baa3	BB–	BB+	BB – p	BB
Germany	Aaa	Aaa	AAA	AAA	AAA	AAA
Ghana	B3	B1	B	B+	B	B
Greece	B3 p	Ba2	B+ p	AAA	BB-	BBB-
Guatemala	Ba1	Baa3	BB–	BB+	BB	BB+
Honduras	B1	Ba2	BB–	BB		
Hong Kong	Aa2	Aaa	AA+	AAA	AA+	AAA
Hungary	Baa3	Baa1	BBB– p	BBB+	BBB– p	A–
Iceland	A3	A3	A	A	A	A
India	Baa2	Baa1	BBB–	BBB+	BBB–	BBB–
Indonesia	Baa2	A3	BBB–	BBB	BBB	BBB
Iraq	Caa1	B3	B–	B–	B–	B–
Ireland	A2	Aaa	A+	AAA	A+	AAA
Israel	A1	Aa3	AA-	AA+	A+	AA
Italy	Baa3	Aa3	BBB n	AAA	BBB n	AA
Jamaica	B3	Ba3	B	B+	B	B
Japan	A1	Aaa	A+ p	AA+	A	AA
Jordan	B1	Ba1	B+	BB		
Kazakhstan	Baa3	Baa2	BBB–	BBB–	BBB	BBB+
Kenya	B2	Ba3	B+	BB–	B+	BB–
Kuwait	Aa2	Aa2	AA	AA+	AA	AA+
Kyrgyzstan	B2	Ba3				
Latvia	A3	Aaa	A	AAA	A–	AAA
Lebanon	B3 n	B1	B–	B+	B–	B–
Lesotho					B+	BB+
Liechtenstein		Aaa	AAA	AAA		
Lithuania	A3	Aaa	A	AAA	A– p	AAA
Luxembourg	Aaa	Aaa	AAA	AAA	AAA	AAA
Macau	Aa3	Aa2			AA	AAA
Macedonia (FYR)			BB–	BB	BB p	BB+
Malaysia	A3	A1	A–	A+	A–	A
Maldives	B2	Ba3			B+	BB–
Malta	A3 p	Aaa	A– p	AAA	A+	AAA
Mauritius	Baa1	A2				
Mexico	A3	A1	BBB+	A+	BBB+ n	A
Moldova	B3	B2				
Mongolia	B3	B1	B	B+	B	B+
Montenegro	B1	Ba1	B+	AAA		
Montserrat			BBB–	BBB–		
Morocco	Ba1	Baa2	BBB– n	BBB+	BBB–	BBB
Mozambique	Caa3 n	Caa2	SD	CCC	RD	B–
Namibia	Ba1 n	Baa2			BB+	BBB–
Netherlands	Aaa	Aaa	AAA	AAA	AAA	AAA
New Zealand	Aaa	Aaa	AA	AAA	AA	AAA
Nicaragua	B2 p	B1	B- n	B-	B- n	B-
Nigeria	B2	B1	B	B	B+	B+
Norway	Aaa	Aaa	AAA	AAA	AAA	AAA
Oman	Baa3 n	Baa2	BB	BB+	**BB+ ▼**	**BBB- ▼**
Pakistan	B3 n	B2	B	B	B-	B-
Panama	Baa2 p	A3	BBB p	AAA	BBB	A
Papua New Guinea	B2 n	B1	B	BB–		
Paraguay	Ba1	Baa3	BB	BB+	BB+	BB+
Peru	A3	A1	BBB+	A	BBB+	A–
Philippines	Baa2	A3	BBB p	BBB+	BBB	BBB+
Poland	A2	Aa3	BBB+ p	A	A–	AA–
Portugal	Ba1 p	A1	BBB– p	AAA	BBB	AA
Qatar	Aa3 n	Aa3	AA– n	AA	AA–	AA
Ras al-Khaimah			A	AA+	A	AA+
Romania	Baa3	A3	BBB–	A–	BBB–	BBB+
Russia	Ba1 p	Baa3	BBB-	BBB	BBB– p	BBB–
Rwanda	B2	B1	B p	B	B+	B+
St Vincent & Gren	B3	Ba3				
San Marino					BBB–	BBB+
Saudi Arabia	A1	A1	A–	A	A+	AA
Senegal	Ba3	Baa1	B+ p	BBB–		
Serbia	Ba3	Ba1	BB	BB+	BB	BB+
Seychelles					BB–	BB
Singapore	Aaa	Aaa	AAA	AAA	AAA	AAA
Slovakia	A2 p	Aaa	A+	AAA	A+	AAA
Slovenia	Baa1	Aa1	A+ p	AAA	A–	AAA
Solomon Islands	B3	B2				
South Africa	Baa3	A3	BB	BBB–	BB+	BBB–
South Korea	Aa2	Aa1	AA	AAA	AA–	AA+
Spain	Baa1	Aa1	A–	AAA	A–	AAA
Sri Lanka	B2	Ba2	B	B	B	B
Suriname	B2 n	Ba3	B	B+	B–	
Sweden	Aaa	Aaa	AAA	AAA	AAA	AAA
Switzerland	Aaa	Aaa	AAA	AAA	AAA	AAA
Tanzania	B1n	Ba3				
Taiwan	Aa3	Aa2	AA–	AA+	AA–	
Thailand	Baa1	A2	BBB+	A	BBB+	A–
Trinidad & Tobago	Ba1	Baa3	BBB+ n	A		
Tunisia	B2 n	Ba2			B+	BB–
Turkey	Ba3n	B2	B+	BB-	BBn	BB+
Turks & Caicos			BBB+	AAA		
Uganda	B2	Ba3	B	B	B+	B+
Ukraine	**Caa1p ▲**	**B3 ▲**	B–	B–	B–	B–
UAE	Aa2	Aa2				
UK	Aa2	Aaa	AA n	AAA	AA n	AAA
USA	Aaa	Aaa	AA+	AAA	AAA	AAA
Uruguay	Baa2	A2	BBB	A–	BBB– n	BBB+
Venezuela	C	Ca	SD	CC	RD	CC
Vietnam	Ba3	Ba2	BB–	BB–	BB	BB
Zambia	B3	B1	B	B	B-n	B

1 Moody's Government Bonds
2 Moody's Country Ceilings
3 S&P Government Bonds
4 S&P Transfer and Convertibility Assessments
5 Fitch Government Bonds
6 Fitch Country Ceilings
p Positive outlook/on watch for upgrade
n Negative outlook/on watch for downgrade
N New rating
W Rating withdrawn
SD Selective default
* Taken off positive watch/outlook
** Taken off negative watch/outlook
▲ Improvement in ratings, outlook or watch status
▼ Deterioration in ratings, outlook or watch status

FRONT STORY CEEMEA

Israel lone wolf among cautious pack

Issuers tiptoe around murky primary waters

ISRAEL has positioned itself at the front of the CEEMEA primary queue for 2019, but bankers say that market volatility has tempered the appetite of other borrowers to follow.

A flight to quality bid has dominated the market, with investors seeking shelter in Treasuries.

The yield on the 10-year benchmark had dropped to 2.59% by Friday, compared with 2.69% at the end of last year.

"It's a nervous start although I don't think EM itself has been that bad," said a banker. "What might coerce [issuers] to look at the primary is the rally in Treasuries which has meant meaningful spread widening. Financial institutions in the Middle East and beyond are acutely sensitive to that."

Israel was the only CEEMEA name to announce a mandate last week, outlining a return to the euro market with a 10-year bond alongside a possible longer-dated benchmark. *Barclays*, *BNP Paribas* and *Goldman Sachs* are lead managers and bookrunners.

"These guys are very high quality and are on their way to a Double A rating," said a banker on the Israel deal. "They like to go out early, remove some of the funding risk for the year and keep that footprint in key international markets. They maintain market presence despite limited funding needs."

Israel, which is a member of the OECD, is rated A1/AA-/A+. The combination of those ratings and the currency of choice means that CEEMEA is still looking for a bellwether US dollar transaction to open the year.

"Israel is very highly rated and coming in euros so I'm not sure you can draw too many parallels," said a third banker. "High-yield would struggle in this market but investment-grade should be fine." The third banker said that it might not be sovereigns to lead the charge, although the first banker reckons they have to come to lay down a marker for the market to follow.

"Off the back of a sovereign tailwind you will get a lot more issuance. The big one though is Saudi, and I don't think that enough time has elapsed yet for them," he said.

Saudi Arabia's bonds have widened by around 60bp since the beginning of October, when Jamal Khashoggi was killed inside the Saudi consulate in Istanbul.

Other sovereigns like Oman and Turkey have large external financing ambitions for 2019. The former would be one of those names keeping an eye on the oil price, which has dropped to US$57 per barrel from around US$85 in October.

"With the oil price taking a beating into year end, the majority of EM issuers have the same if not larger funding needs," said the second banker. "It feels it is going to be a relatively busy market."

Oil importer Turkey has a reputation for executing trades swiftly. It plans to raise US$8bn this year, although it financed a portion of that with a trade in November.

Robert Hogg

Mexico closes book on Mexcat bond tender

Government hopes line drawn following controversial tender

A controversial tender for bonds issued by the MEXICO CITY AIRPORT TRUST came to an end in December after holders showed what the government described as "overwhelming support" for the transaction.

Holders of US$4.248bn of the notes validly tendered, allowing the government to buy back US$1.8bn of the US$6bn in outstanding bonds.

It also saw about 71% of the holders agree to a consent solicitation that removed covenants and events of default linked to the new Texcoco Airport and released security interest over future passenger usage fees.

The so called "Mexcat" bonds had been under pressure ever since Mexico's newly elected president Andres Manuel Lopez Obrador (AMLO) said the US$13bn airport project would be cancelled.

The move was seen as an unpropitious start for the incoming populist government and opened the door for a potentially heated battle with bondholders who had helped finance the new airport and who would ultimately generate demand for other bond deals out of Mexico.

After creditors pushed back on the borrower's initial offer, the government agreed to set the tender price at par rather than using a Dutch auction that would have likely resulted in a lower price.

It also increased the consent payment to US$10 per US$1,000 of principal, while also adding sweeteners such as new debt limitations, and a sinking fund that helped mitigate the weaker security pledges.

"The original bonds didn't have a sinking fund so there was pure refinancing risks," said an investor. "The fact that you are building up cash to reduce amortization risks is good."

That seemed to be enough to satisfy most holders, who were thought ultimately to be in no mood for a drawn out scrap with the government.

It also gave them a chance to lighten exposure to a credit that paid relatively small coupons in a country that looks increasingly risky in the eyes of investors.

It is thought the government targeted just US$1.8bn as those were the resources it had left for construction of the airport, which was officially cancelled in January.

"The partial purchase of the notes of $1.8bn will result in lower leverage, strengthening Mexcat's projected financial metrics in comparison to our initial projections with the initial US$6.0bn of debt," said Moody's after affirming its Baa3 rating on the notes.

Fitch meanwhile downgraded the Airport Trust to BBB from BBB+ following the tender results, citing reduced prospects for revenue growth and potentially higher costs.

"Although debt will decrease by US$1.8bn and this will have a positive effect on leverage (down to around 9.0x from 12.8x), the current transaction profile now corresponds to a lower rating," Fitch said.

The government agreed to tender about US$300m of the 4.25% 2026s, US$300m of the 3.875% 2028s, US$300m of the 5.5% 2046s and about US$900m of the 5.5% 2047s.

Paul Kilby

ASIA-PACIFIC

CHINA

DOUBLE DOWNGRADE FOR KANGDE XIN

Fitch and Moody's have cut KANGDE XIN COMPOSITE MATERIAL GROUP's credit rating and those of its bonds in light of the company's liquidity problems and declining stock price.

Fitch downgraded the corporate and bond ratings to B+ from BB on December 21, with a negative outlook. On December 18, Moody's downgraded the ratings of the company and its US$300m 6.00% senior bonds due 2020 to B3 from B1, with a negative outlook.

The dollar bonds plunged more than 20 points on December 17 in reaction to a report, denied by the Shenzhen-listed Chinese optical and pre-coated laminating film manufacturer, that it had defaulted on an onshore loan.

"The downgrade reflects our concern that the deteriorating liquidity profile of KDX's largest shareholder and the continued elevated share pledge ratio by the same shareholder increases the risks of refinancing and change of control at KDX," said Gloria Tsuen, a Moody's vice-president and senior credit officer.

Both rating agencies said repeated disclosure issues raised by regulators relating to the largest shareholder also reflect potential inadequacies in the company's corporate governance that may hurt KDX's ability to maintain funding access.

"As the operating environment becomes more challenging, a weakening in KDX's ability to refinance will further reduce its net cash position, increase liquidity risks and may impact its business operations," said Tsuen.

Fitch said KDX's access to equity markets has worsened after its share price fell more than 60% in the past 12 months and would likely increase its reliance on debt for financing.

KDX's largest shareholder, Kangde Investment Group, had pledged around 93% of its KDX shares as of November 5, according to Moody's.

The negative outlook on KDX's rating reflects Moody's expectation that the weakening operating environment and shareholder drag could together affect KDX's funding access and weaken the company's financial profile.

Kangde Xin's 2020s slumped 21 points to close at a bid price of 56 on December 17 from 77 on December 14, according to Tradeweb. The bonds were quoted at a bid price of 55.25 on December 18. The Reg S bonds were issued by Top Wise Excellence Enterprise and guaranteed by KDX in March 2017.

According to a report from a private market intelligence service cited by some brokerages on December 17, KDX failed to repay in full a loan due to Citic Bank and still has a Rmb200m (US$29m) balance more than a month overdue.

KDX denied the report via the Shenzhen Stock Exchange's investor relations service, saying it has already repaid the loan and maintains a normal business relationship with Citic Bank.

Late rally buoys high-yield

JUNK BONDS December rebound helps R&F, Aoyuan kick off busy first quarter

Two high-yield Chinese property companies got the ball rolling last week with Asia's first US dollar bond sales of the year, after a rally in junk bond prices continued in late December.

A US$500m new issue from GUANGZHOU R&F PROPERTIES and a US$275m tap from CHINA AOYUAN GROUP showed investors remained receptive to low-rated Asian issuers, even as volatile markets kept other issuers sidelined.

A lead manager on Guangzhou R&F said the issuer wanted to move quickly to avoid expected heavy supply later in January. Equity markets were volatile on the day of marketing, but credit mostly held its ground, he said.

The deal is the largest in a recent round of similar two-year bond issues in the Asian credit markets. Macrolink Global Development, Changde Urban Construction and Redsun Properties all issued two-year notes in December.

The banker said investor appetite for short-dated paper dictated the choice of tenor.

"It works because the issuer wants to minimise new issue concessions, and it's short enough to persuade investors to buy them during volatile times," he said. "But it's long enough that the coupons are larger than 364-day notes."

Orders reached about US$1bn from 80 accounts. Asia took 97% and EMEA the rest. Fund managers were allocated half the notes, corporates and ultra high-net-worth individuals 43%, and private banks 7%.

The bonds were trading slightly above reoffer in the aftermarket.

Guangzhou R&F's new issue came on the same day as a US$275m tap of China Aoyuan Group's (B1/B+/BB–) 7.95% 2021s, increasing the total size to US$500m.

Hopes are high for a busy first quarter for high-yield issuance after a recovery late last year. A handful of bonds that hit record lows in November have rebounded, thanks to bargain-hunting for issues that were seen as oversold in last year's cross-fire.

Country Garden's 4.75% 2023s, which were issued in 2016, have tightened 150bp from their

ALL INTL EMERGING MARKETS BONDS
BOOKRUNNERS: 1/1/2018–31/12/2018

Asia-Pacific

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	HSBC	243	23,880.94	8.0
2	Citigroup	130	17,234.96	5.8
3	Bank of China	175	13,942.88	4.7
4	Standard Chartered	148	13,738.62	4.6
5	BNP Paribas	95	11,006.83	3.7
6	Morgan Stanley	67	10,356.07	3.5
7	Goldman Sachs	56	10,132.75	3.4
8	BAML	64	9,283.31	3.1
9	Citic	110	8,772.62	2.9
10	JP Morgan	57	8,070.86	2.7
	Total	**716**	**299,101.04**	

Excluding equity-related debt.

Source: Refinitiv SDC code: L4

ALL INTL EMERGING MARKETS BONDS
BOOKRUNNERS: 1/1/2018–31/12/2018

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Citigroup	238	51,768.24	9.4
2	HSBC	318	44,505.52	8.1
3	JP Morgan	148	32,474.22	5.9
4	Standard Chartered	219	30,973.56	5.6
5	Deutsche Bank	112	25,727.20	4.7
6	BNP Paribas	138	21,123.97	3.8
7	Goldman Sachs	74	17,993.75	3.3
8	BAML	94	16,592.13	3.0
9	Bank of China	180	15,626.38	2.8
10	Morgan Stanley	85	14,364.77	2.6
	Total	**1,029**	**552,216.83**	

Excluding equity-related debt.

Source: Refinitiv SDC code: L1

INDIA

IOC TO START DOLLAR ROADSHOW

State-owned INDIAN OIL CORP, rated Baa2/BBB– (Moody's/Fitch), has mandated *Citigroup*, *DBS Bank*, *SBI Capital Markets*, *Standard Chartered* and *Westpac Banking Corp* as bookrunners and lead managers for a potential US dollar bond offering, according to a source close to the plans.

Fixed income investor meetings will begin in Singapore, Hong Kong and London from January 7 for five-year senior

November 1 wides, while the property developer's shorter 7.5% March 2020s saw similar gains. CoGard's 5.125% 2025s also tightened 130bp from the record wide 10% reached last October.

Agile Group's 5.125% 2022s have tightened 180bp since hitting a record low on November 23, while its 8.5% 2021s have also rallied by a similar amount and were trading above par last week at 101.6/102.2, according to Refinitiv data.

Yuzhou Properties' 6% 2023s, which were also battered late last year, have rallied 160bp from a November low, while Times China Holdings' 6.6% 2023s came in 170bp.

"There was never really a concern about fundamentals for some of these issuers, but they were still getting hit last year," said a senior high-yield banker based in Hong Kong. "We're starting to see a turnaround, and that bodes well for the high-yield pipeline this month."

BUYERS STILL CAUTIOUS

Buyers, however, remain cautious. "We expect crowded supply from the space in 1Q19 to weigh on the sector performance in the near term," said Tony Chen, a credit analyst at Nomura. "We recommend to stay with high-quality Single B bonds and prefer short tenors."

Chinese high-yield bonds went into free-fall in the second quarter of last year, as increasing volatility, simmering trade rhetoric, rising interest rates, weak demand from large Chinese institutions and slowing Chinese growth contributed to one of the worst trading periods for the sector.

By early November, at least nine Chinese property companies had seen their bonds slump to record lows, Refinitiv data showed.

Since then, easing supply concerns and an improved overall market sentiment have attracted some buyers at the more attractive secondary levels – including the likes of global bond manager Pimco.

However, the sector still has a long way to go. Choppy global markets since the New Year, spurred partly by weak China factory data, dragged a swathe of new high-yield issues lower last week.

Chinese property developer Cifi Holdings (Group), which issued one of the largest public offerings from the sector in December, saw its US$400m two-year bonds widen to 8.4% from final pricing of a 7.625% yield, according to Tradeweb. Ronshine China Holdings' US$200m 11.5% notes were bid 20bp wider.

Split-rated Shimao Property Holdings, which added US$570m to its 6.375% 2021s last month, was in better shape, trading at a bid yield of 6.4% after pricing the tap at 7.125%.

The weak sentiment also stands in the way of a handful of poor performers that have tested new lows in December.

Greenland Holdings' 5.875% July 2024s have only recovered 20bp from a November 21 all-time low, according to Refinitiv data. The real estate developer's 5.9% 2023s have also only gained modestly during that period.

Kaisa Group Holdings' 2024s, which tumbled to a record low cash price of 65 to yield 19.8% on November 30, gained less than some peers, tightening 90bp since. Kaisa's 8.5% 2022s have also come off a December wide of 20.7%, but the 19.3% yield is still near distressed territory. Most of Kaisa's outstanding bonds are trading in a cash price range of 79–85, Refinitiv data show. The company, which defaulted on its debt in early 2015, has a US$500m 10.25% 2020 bond issue with a call date this February.

"Investors are concerned about its liquidity and potentially corporate governance issues," said Nomura's Chen.

Frances Yoon

unsecured notes in Reg S format, subject to market conditions.

IOC is yet to make an official announcement on the planned dollar bond sale.

MOODY'S DOWNGRADES GCX

Moody's on December 19 downgraded GCX's corporate family and senior secured bond rating to Caa1 from B3, citing refinancing concerns.

Subsea cable provider GCX is owned by Global Cloud Xchange, a wholly owned subsidiary of Reliance Communications, which is undergoing debt restructuring.

GCX has a US$350m bond issue coming due in August. Moody's noted that the company's management had said on a recent earnings call that it was considering several options for refinancing, but had not come to a final agreement. RCom is also thought to be considering a sale of GCX.

The rating agency said it expected GCX to be able to make a US$12.25m coupon payment on February 1 from its cash holdings. The rating outlook is negative, as Moody's said GCX would be unable to access the capital markets while RCom remains in the strategic debt restructuring process in India.

GCX's 2019 bonds were quoted on December 19 at a cash price of 85.5, implying a yield of around 35%, according to Refinitiv data.

SOUTH KOREA

HANWHA TOTAL PETRO READIES US DOLLAR BONDS

HANWHA TOTAL PETROCHEMICAL, rated Baa1/BBB (Moody's/S&P), has mandated *Citigroup*, *Credit Agricole* and *Standard Chartered* for a US dollar bond issue. A series of fixed income investor meetings in Asia and Europe will start on Monday for the proposed Reg S deal with a short to intermediate maturity.

KNOC PREPARES SAMURAI OFFERING

KOREA NATIONAL OIL CORP, rated Aa2/AA/AA–, has appointed *Citigroup*, *Daiwa*, *Mitsubishi UFJ Morgan Stanley* and *Mizuho* for a Samurai bond offering in early 2019.

The state-owned oil and gas explorer last issued a US$400m five-year Formosa offering in June 2018, which was priced at three-month Libor plus 87.5bp.

KOREA MIDLAND POWER PICKS THREE

KOREA MIDLAND POWER, rated Aa2/AA/AA–, has signed *BNP Paribas*, *Citigroup* and *HSBC* as bookrunners for a US dollar bond.

Fixed income meetings will kick off in Singapore on Monday, then head to Hong Kong, London and Zurich afterwards.

Komipo operates six of the country's power generation facilities. The state-owned utility is a core subsidiary of Korea Electric Power Corp. Both companies are rated on par with the sovereign.

Komipo has a US$300m 2.75% senior unsecured bond due February 2019, Refinitiv data show.

The prospective deal is its first issue since January 2016, when it sold a four-times oversubscribed US$300m 5.5-year at US Treasuries plus 110bp.

EUROPE/AFRICA

UZBEKISTAN

SOVEREIGN APPOINTS FOR DEBUT

UZBEKISTAN is making final preparations for its first foray into international debt markets, naming four international banks to lead a dollar bond deal, sources involved in the plans have told Reuters.

JP Morgan has been appointed as lead adviser, and is joined by international debt houses *Deutsche Bank* and *Citigroup* as well state-owned Russian bank *Gazprombank*.

Having secured a BB- credit rating from Fitch in December, central Asia's most populous nation is readying a US$500m, five to 10-year bond for the first quarter of 2019, said the sources.

Uzbekistan has been gradually opening up what is largely still a Soviet 'command'-

GLOBAL EMERGING MARKETS BOND DETAILS: WEEK ENDING 4/1/2019

Pricing date	Issuer	Amount	Maturity	Coupon (%)	Reoffer	Spread (bp)	Yield (%)
Dec 17 2018	Cifi Holdings (Group)	US$400m	Mar 2 2021	7.625	99.97	-	7.625
Dec 17 2018	Wuhan Financial Holdings	US$142m	Dec 27 2021	5.8	100	-	5.8
Dec 17 2018	Redsun Properties Group	US$120m incr (US$380m)	Dec 3 2020	13.5	100	-	13.5
Dec 17 2019	Hungary	Rmb2bn	Dec 19 2021	4.3	100	-	4.3
Dec 18 2018	Yango Group	US$120m	Jul 2 2020	12	100	-	12
Dec 19 2018	Ronshine China	US$200m	Jul 3 2020	11.5	98.177	-	12.875
Dec 19 2018	Shaoxing City Investment Group	US$150m	Dec 18 2021	5.88%	99.795	-	5.95
Dec 20 2018	Shaanxi Xixian New Area	US$100m	Dec 27 2021	7.5	99.211	-	7.8
Dec 20 2018	Modern Land (China) (Green)	US$150m	Jul 2 2020	15.5	100	-	15.5
Dec 20 2018	Changde Urban Construction and Investment Group	US$100m	Dec 27 2020	7.2	100	-	7.2
Dec 20 2018	Qingdao Jiaozhou Bay Development	US$80m incr (US$200m)	Jun 14 2021	6.5	98.441	-	7.2
Dec 21 2018	Twinkle Lights Holdings (Greentown)	US$500m	-	10	100	T+734.2bp	10
Dec 24 2019	Shandong Commercial Group	US$120m	Dec 31 2021	8.5	98.711	-	9
Dec 27 2018	Macrolink Holding	US$168m	Jan 4 2021	9.5	100	-	9.5
Jan 3 2019	China Aoyuan Group	US$275m incr (US$500m)	Sep 7 2021 (Sep 2020 put/call)	7.95	100	-	7.939
Jan 3 2019	Guangzhou R&F Properties	US$500m	Jan 10 2021	8.75	99.775	-	8.875

style economy since the death of hardline president Islam Karimov in 2016 and his replacement by Shavkat Mirziyoyev.

Issuing its first dollar-denominated bond will put Uzbekistan firmly on the map of international investors.

"They (the Uzbek government) met with investors in late November and the feedback was positive from most," said one of the sources. "It is an improving credit and investors are not viewing it as a Russian proxy."

A formal deal roadshow will take place early this year, the source said, with the deal set to be marketed to investors in Europe and the US.

ALL INTL EMERGING MARKETS BONDS
BOOKRUNNERS: 1/1/2018–31/12/2018

Europe/Africa

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Citigroup	36	12,185.00	14.1
2	JP Morgan	35	9,008.41	10.4
3	Deutsche Bank	23	7,220.74	8.4
4	VTB Capital	14	6,287.21	7.3
5	Standard Chartered	10	5,439.15	6.3
6	HSBC	17	5,029.15	5.8
7	SG	18	4,281.87	5.0
8	BNP Paribas	16	4,149.26	4.8
9	Goldman Sachs	9	3,869.31	4.5
10	UniCredit	14	2,604.44	3.0
	Total	**94**	**86,293.10**	

Excluding equity-related debt.

Source: Refinitiv SDC code: L2

Uzbekistan's new BB- rating puts it in line with big emerging market debt issuers such as Turkey, whose benchmark bonds now trade at a yield of around 7.5%.

It is also in between neighbours Kazakhstan with its 'investment grade' BBB-, and Tajikistan, with its B- rating, six notches below investment grade.

Tajikistan issued its first US$500m 10-year dollar bond in September 2017, when emerging markets were on a charge, and paid a coupon of 7.125%.

A volume of US$500m would make the new Uzbek bond eligible for JP Morgan's widely-tracked EMBI global emerging debt benchmark, one of the sources said.

MIDDLE EAST

SAUDI ARABIA

SOVEREIGN LOOKS BEYOND THE DOLLAR

SAUDI ARABIA may issue bonds in currencies other than the US dollar, the finance minister has told Al Arabiya TV.

Saudi Arabia has issued US$52bn in dollar bonds since it started tapping the international debt markets in 2016.

AMERICAS

BRAZIL

RESULTS PROVIDE SOME HOPE FOR ANDRADE GUTIERREZ

ANDRADE GUTIERREZ's latest third quarter results hint that the troubled Brazilian conglomerate may be getting back on its feet to the benefit of bondholders.

Third quarter results show that the company is "alive and breathing" with revenues of US$122m and Ebitda of US$20m, Roger Horn, senior EM strategist at SMBC Nikko Securities America, wrote in a recent report.

That is good news for a company - one of several Brazilian entities that was embroiled in the so-called "Car Wash" corruption probe and whose businesses suffered as a result.

The company reported about R$11bn (US$2.9bn) in active contracts - a backlog that hasn't been lost, Horn said.

"They are starting to convert backlog into revenues and win new contracts, albeit small ones," he said.

That stands in contrast to Odebrecht whose involvement in the Car Wash scandal left it unable to lure business and has been forced into a multi-billion dollar debt restructuring.

Pricing steps	NIP (bp)	Book size	Ratings	Bookrunners	Distribution
7.875% area	-	US$1bn	-/-/BB	StCh/CEB Intl/CS/DB/GS/Guotai Junan/Haitong Sec/HSBC/JPM	Asia 97%, Eur 3%. HF/AM/FM 66%, PB 16%, Bks 15%, Other 3%.
5.8% (the #)	-	-	-	CICC/StCh/CMBCHK/Haitong / Industrial/Ping An HK/SPDB	-
13.5% (the #)	-	-	-/-/B	CICC/Guotai Junan/Haitong	-
3.9%/4.5%	-	Rmb3.45bn	Lianhe AAA	BoC/HSBCChina	China 88.7%, Other 11.3%.
-	-	-	B3	CMSHK/Guotai Junan	-
High 12% area, 12.875%	-	-	-/-/B+	Guotai Junan/HSBC/CMBI/BOCOMI/ Haitong /CNCBI/Orient/CNCB HK/ Admiralty Harbour	-
5.95% (the #)	-	-	-/-/BBB+	Guosen /ICBCI/CMBC Cap/Everbright HK/BoCom/Silk Road/Industrial/ BoC/CCBI /CEB Intl/CNCB HK/Guotai Junan	-
7.8% (the #)	-	-	-	DBS/CMBC Cap/CEB Intl/Central	-
15.5% (the #)	-	-	B3	Guotai Junan/HSBC/UBS/MS/DB/ Southwest/Haitong	-
7.2% (the #)	-	-	-/-/BB+	BoC/Miz/Guotai Junan/CCBI/ Industrial	-
7.2% (the #)	-	-	-	Zhongtai/Industrial	-
-	-	-	Ba3	CS/HSBC	-
-	-	-	-	Zhongtai/DBS	-
9.5	-	-	-	CCBI/CMBC Capital/HSBC/ICBCI/ BoC/Silk Road Int'l/Industrial Bank HK	-
99.875% price area	-	-	B2/B/BB-	AMTD/BAML/Guotai Junan/Haitong/ JPM/OCBC /Silk Road/UBS.	-
9% area, 8.875 (the #)	25	US$1bn	-/-/BB-	GS/CLSA/CS/Orient Securities HK/ CICC/CEBI	Asia 97%, EMEA 3%. FM 50%, Corp/ UHNW 43%, PB 7%.

Andrade Gutierrez also struggled to meet debt payments and was obliged to carry out a debt exchange over the summer to attend to upcoming maturities.

But the transaction allowed it to swap most of its outstanding 4% 2018s for a new 11% senior secured PIK toggle note due 2021, giving it some much-needed breathing space.

Fitch upgraded Andrade Gutierrez Engenharia (AGE) in August to CCC- from restricted default as a result. But it warned the company's liquidity was not compatible with future debt payments as it looked to turn around its operations and recover backlog.

Even so, Andrade Gutierrez is now reporting some US$196m in cash versus just US$67m in debt maturities through to the end of 2019 as well as US$83m settlements with the Brazilian authorities, Horn said.

"The exchange removes the impending debt maturity and since the new bonds are PIKable, it gives them time to prove they can be a viable entity," he said.

Those new bonds were trading as high as 84.50 earlier in December, up from a recent low of 80.50 on November 14, according to MarketAxess data.

The bonds are guaranteed by AGE and count towards a secondary lien guarantee of shares from infrastructure firm CCR owned by Andrade Gutierrez Participacoes (AGPar), according to Fitch.

BRAZIL POWER LAUNCHES CONSENT SOLICITATION

SWISS INSURED BRAZIL POWER FINANCE launched in December a consent solicitation for its 9.85% senior secured notes due 2032.

The purpose of the consent was to allow Centrais Eletricas de Sergipe (CELSE) to obtain a waiver on certain provisions and a debenture indenture that triggers an event of default should a change of control occur.

This arguably occurred when a record title to CELSE's floating storage and regasification unit was transferred during a sale-and-leaseback transaction, according to the announcement.

The consent solicitation expired on December 21 and holders who participated were eligible to receive a consent payment of R$10 per R$1,000 in principal.

The company issued the Real-denominated bonds in 2018 through *Goldman Sachs* after a roadshow in the US and Europe. Proceeds went to fund a project.

CELSE, owned by Eletricidade do Brasil and Golar Power, was created to build and operate the Porto de Sergipe LNG-to-power project.

ALL INTL EMERGING MARKETS BONDS
BOOKRUNNERS: 1/1/2018–31/12/2018

Middle East

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Standard Chartered	60	11,810.81	14.2
2	HSBC	45	8,620.63	10.4
3	Citigroup	29	8,034.47	9.7
4	JP Morgan	19	5,140.30	6.2
5	Deutsche Bank	10	4,732.00	5.7
6	Barclays	19	4,088.31	4.9
7	Credit Suisse	8	2,672.16	3.2
8	Credit Agricole	14	2,531.45	3.0
9	BNP Paribas	14	2,490.49	3.0
10	First Abu Dhabi Bank	19	2,093.46	2.5
	Total	**116**	**83,207.23**	

Excluding equity-related debt.

Source: Refinitiv SDC code: L5

ALL INTL EMERGING MARKETS BONDS
BOOKRUNNERS: 1/1/2018–31/12/2018

Latin America

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Citigroup	38	13,887.70	17.1
2	JP Morgan	31	9,596.71	11.8
3	HSBC	17	7,209.00	8.9
4	Deutsche Bank	9	6,634.37	8.1
5	BAML	21	5,067.21	6.2
6	Morgan Stanley	13	4,722.78	5.8
7	BNP Paribas	13	3,477.40	4.3
8	Santander	14	3,278.11	4.0
9	BBVA	4	2,811.40	3.5
10	Credit Suisse	11	2,528.36	3.1
	Total	**96**	**81,418.47**	

Excluding equity-related debt.

Source: Refinitiv SDC code: L3

FRONT STORY US LEVERAGED MARKET

Concerns grow at falling recoveries

Recoveries for first-lien loans are forecast to be about 61%

For second-lien loans, forecasts are just 14%

Recent volatility in the US leveraged loan market has increased concerns about diminished recoveries as regulators ratchet up criticism of the asset class.

Recoveries for first-lien loans are forecast to be about 61%, down from the average historical recovery of 77%, according to Moody's. Recoveries for second-lien loans are forecast to be just 14%, down from the average historical rate of 43%.

The pessimistic forecasts come as regulators express concern about underwriting quality as market volatility increases. The average secondary bid level on LPC's 100 most heavily traded loans ended the year at 94.64, beginning its drop in early October from a high of 98.91. This is the lowest level since February 2016, when both the equity and credit markets were pressured by the economy and lower oil prices.

"When you think about the next downturn, leveraged loan recovery values are a concern," said Andrea DiCenso, a co-portfolio manager for the alpha strategies team at Loomis Sayles. "It has me questioning, are the recovery values we used to assign to them kind of moot at this point?"

SENTIMENT SHIFT

The US leveraged loan market is a hedge to rising interest rates because the debt pays investors a coupon plus Libor. As rates rise, so do the distributions that lenders receive. This is an attractive investment as the Federal Reserve continues to raise rates - it hiked them on December 19, for the ninth time in the past three years. The US central bank has indicated that this pace will slow in 2019.

The US loan market has almost doubled in size since 2008, buttressed by the US$582bn US CLO market - the largest buyers of the debt - which set a new issuance record in 2018 with US$128bn arranged.

The uptick in CLO volume as well as investments in loan mutual funds and separately managed accounts allowed companies to cut borrowing costs and loosen document terms, including removing lender protections.

Former Fed Chair Janet Yellen, Senator Elizabeth Warren and the Bank of England have all expressed concerns about loose underwriting as market sentiment has deteriorated.

Loans have a negative 2.6% performance since the start of November, and banks have had to widen pricing and tighten document terms to entice investors.

JP Morgan deepened the discount on a loan for aviation company XO MANAGEMENT to 93 cents on the dollar in December, the lowest OID since the fourth quarter of 2016.

Some companies have chosen to pull or postpone their deals. In December, ULTERRA DRILLING TECHNOLOGIES delayed syndication of a loan backing its buyout by Blackstone, while IT services provider CONVERGEONE postponed to January syndication of a facility to back its buyout by CVC Capital Partners.

Business Development Companies, investors in the middle market, have not escaped the volatility. The average share price to net asset value across the public BDC universe has plummeted to 0.796 times as of December 18's close, the lowest level since early 2016, according to LPC analysis.

While CLO issuance has remained steady, even as tranche spreads widened, over US$14bn flowed out of loan mutual funds in the fourth quarter, at the time of publishing, according to Lipper.

Loans are notorious for their slow settlement times and Fed Governor Lael Brainard raised concerns this month about mutual funds being able to meet redemption requests, a refrain previously heard from the Securities and Exchange Commission.

Loans settled in an average 20.3 days in 2017, according to IHS Markit. Open-end funds need to meet redemption requests in seven days.

LOAN MARKET FOCUS

Despite recent volatility, defaults have remained low, supported by covenant-lite issuance, which removes many potential triggers.

The US speculative-grade corporate default rate was 2.7% in September 2018 and S&P forecasts it will fall to 2.5% by September 2019. Fitch says the institutional leveraged loan default rate will finish 2018 at 1.8%.

But danger looms as the number of companies rated B3 with a negative outlook or lower sits at 182, according to Moody's, with about 44% of first-time issuers in 2018 holding a B3 corporate family rating - "the lowest rating you can get and still access the market," according to Christina Padgett, a senior vice president at the ratings firm.

"We have more low-rated credits today than we did at the peak of the financial crisis," she said.

If there is a significant wave of company downgrades to a Caa rating, CLOs, which typically have a cap on the percentage of assets they hold with that ranking or lower - often around 7.5% - could be impacted, forcing them to divert payments from the most junior fund investors, according to Algis Remeza, associate managing director at Moody's.

The focus on the asset class comes as US government agencies say they will not take enforcement action based on supervisory guidance. The move is a blow to leveraged lending guidance, updated by regulators in 2013 and treated as a rule by banks, which many attribute with keeping some terms measured.

The consequence of not taking action may be private equity buyouts that are even bigger and more highly leveraged, some market participants have warned.

Despite the recent upheaval, forecasts for 2019 are strong. Barclays is forecasting US$400bn-$420bn of loan issuance this year, dominated by merger, acquisition and buyout financing, the bank said in a November report. CLO issuance is also expected to be strong, with JP Morgan forecasting what would be a new record of US$135bn of issuance.

Kristen Haunss

ASIA-PACIFIC

AUSTRALIA

VODAFONE HUTCH CLOSES A$4.75bn DEAL

VODAFONE HUTCHISON AUSTRALIA has closed a self-arranged loan at A$4.75bn (US$3.3bn).

The deal, launched at up to A$5bn, now comprises a A$2bn three-year term loan (Facility A), a A$2bn five-year loan (Facility B) and a A$750m five-year revolving credit facility (Facility C). It attracted 16 banks in syndication.

The initial interest margins are 110bp over BBSY for Facility A and 130bp over BBSY for Facilities B and C. At the top level, the all-ins based on the initial margins are 125bp for the three-year tranche and 145bp for the five-year portions.

Lenders are *Bank of China (Hong Kong)*, *Bank of China Sydney branch*, *Bank of America*, *SMBC*, *ANZ*, *Westpac*, *Mizuho Bank*, *MUFG*, *National Australia Bank*, *ING Bank (Australia)*, *ING Bank Singapore branch*, *DBS Bank*, *Credit Agricole CIB*, *Deutsche Bank*, *HSBC*, *Societe Generale*, *Standard Chartered* and *United Overseas Bank*.

The borrower, a joint venture between the UK's Vodafone Group and Australia-listed Hutchison Telecommunications (Australia), will be renamed TPG TELECOM after the merger of Vodafone Hutchison Australia and Australia-listed TPG Telecom is completed. The merger is expected to close this year, after which current TPG shareholders will together own 49.9% of the merged group, while Vodafone Group and Hutchison Telecommunications (Australia) will each hold 25.05%.

In a statement of issues published on December 13, the Australian Competition and Consumer Commission expressed preliminary concerns that the merger may "substantially lessen" competition for mobile and fixed broadband services in Australia. The ACCC has asked for interested parties to submit responses to the statement by January 18 and is expected to announce its final decision on the merger on March 28.

The merged entity is expected to have a pro forma enterprise value of about A$15bn.

CK Hutchison Holdings owned about 88% of Hutchison Telecommunications (Australia) at the end of 2017.

SIGMA OBTAINS A$500m REFI

Pharmacy and healthcare provider SIGMA HEALTHCARE has completed a A$500m (US$359m) three-tranche loan to refinance a receivables facility from 2017, as it ponders a takeover offer from AUSTRALIAN PHARMACEUTICAL INDUSTRIES.

The new borrowing, a bilateral loan with *Westpac*, is split into a A$115m cash advance tranche maturing on November 30 2019, a A$135m overdraft facility due on May 31 2020, and a three-year A$250m cash advance tranche with a November 30 2021 maturity date.

The loan refinances a A$370m one-year receivables financing comprising a A$170m overdraft facility and a A$200m revolving credit facility that matured on November 30.

Sigma uses a pool of eligible receivables as securities to draw down funds under these facilities. The funds will be used for infrastructure investment in distribution

Asian lending hits four-year high

ASIA Volumes rebound 9% despite China M&A slump

Syndicated lending in Asia-Pacific, excluding Japan, grew for the first time in four years in 2018, despite a slowdown in event-driven financings and rising volatility in equity and bond markets.

Lending volumes in Asia-Pacific rose by 8.9% from US$445.31bn in 2017 to US$484.82bn, the second-biggest annual tally behind US$523bn in 2014. Australia, China and Singapore posted significant growth after a surge in deal flow late in the year, according to LPC data, which tracks loans in international currencies comprising Australian, Hong Kong, Singapore and Taiwan dollars, renminbi and the G3 currencies.

The number of deals fell slightly to 1,203 in 2018 from 1,245 a year earlier.

"Asian loan markets remained stable in 2018 despite volatility in global capital markets and a slowdown in overall M&A financing activity amidst a reduction in China cross-border M&A activity," said Benjamin Ng, Citigroup's head of debt syndicate, loans and acquisition finance in Asia.

Strong volume from China came as a surprise after the government introduced moves to curb overseas acquisitions in late 2016 and trade tensions with the US added to concerns over an economic slowdown in the second half of the year.

Excluding Japan, China dominated Asia-Pacific lending with US$111.26bn of loans in 2018, a 9.9% increase on US$101.28bn of deals in 2017. This was largely due to a jumbo Rmb160bn (US$23bn) 11-year project financing for Chinese state-owned semiconductor maker Fujian Jinhua Integrated Circuit, which was the biggest loan in Asia-Pacific (ex-Japan) in 2018.

The deal, signed in late October, also highlighted the challenges facing lenders in China. Days after the signing, the US government withdrew the borrower's access to US suppliers amid allegations that the firm stole intellectual property from American semiconductor giant Micron Technology.

Political developments made lenders jittery about Chinese borrowers in the manufacturing and technology, media and telecoms sectors, which are seen as most vulnerable to trade tensions.

M&A lending from Asia-Pacific fell to US$35.25bn in 2018, a 36.8% decline from US$55.74bn in 2017. The fall in Chinese M&A was far steeper, down 75% to US$4.63bn in 2018 from US$18.37bn a year earlier after Beijing introduced measures to control capital outflows.

REFINANCING RUSH

Asian borrowers took advantage of lending appetite among liquid banks and pushed hard to complete refinancings and negotiate more favourable terms on existing deals.

This was particularly true in Australia and Singapore. In Australia, volume climbed 16.8% to US$95.53bn, from US$81.77bn in 2017, and Singapore saw US$51.66bn in 2018, up 27.8% on US$40.42bn in 2017, thanks largely to refinancings and amend-and-extend exercises.

Hong Kong was also busy refinancing, amending and extending existing loans, but overall loan volume slid by 7.3% to US$107.87bn, as fewer Chinese companies tapped the market.

The largest refinancing from Asia (ex-Japan) was a US$5.5bn loan for state-owned China National Chemical Corp (ChemChina) in March, which refinanced part of a US$12.7bn acquisition loan that helped fund its purchase of Swiss seeds and pesticides maker Syngenta in 2017.

Casino and resort operators in Macau and Singapore, including MGM Grand Paradise, Venetian Macau, Wynn Resorts (Macau) and Marina Bay Sands, amended and extended around US$12bn of loans in 2018.

LOOKING AHEAD

Market participants remain optimistic about the outlook for 2019 despite geopolitical concerns, including the trade war, increasing protectionism and Brexit.

"Even with heightened global market volatility, the APAC syndicated loan market remained resilient into the tail end of 2018, with banks demonstrating solid appetite for reasonably priced and well-structured deals," said Adnan Meraj, co-head Asia-Pacific syndicated and leveraged finance at Bank of America Merrill Lynch.

"We see this trend continuing into the beginning of 2019 and are already seeing strong reverse enquiry on some of the more immediate deals we will be launching in early 2019."

Prakash Chakravarti

centres and information systems, as well as ongoing working capital requirements. The new loans are all backed by receivables.

The facilities are structured in a way that will allow the company to repay from an amount of A$300m it expects to receive from My Chemist/Chemist Warehouse Group when a contract with the latter ends in June 2019. Earlier last year, Sigma announced its supply contract with retail chain MC/CW will end after the two parties failed to agree on terms.

Meanwhile, Sigma is evaluating a merger proposal from health and beauty company API.

On December 14, API said it had bought a 12.95% stake in Sigma, and made an indicative offer to the latter's board to buy the remaining stake via a combination of a share swap and cash.

Sigma has offered to engage with API, but has also concurrently hired Accenture for an analysis of the prospects for its growth and cost savings on a standalone basis.

SONIC HEALTHCARE USES PART OF BRIDGE

SONIC HEALTHCARE will use only a small portion of a US$600m bridge loan to fund its acquisition of US-based Aurora Diagnostics.

Sonic signed the one-year bridge facility with *JP Morgan* prior to signing a binding agreement to acquire Aurora for US$540m in an all-cash deal announced on December 12. Subsequent to this, the company raised A$600m (US$431m) from a share placement with existing and new institutional investors, and aims to raise another A$100m from a share purchase offer to eligible shareholders with registered addresses in Australia or New Zealand.

Sonic plans to refinance the bridge loan this year in offshore debt markets, where it raises the bulk of its funds given the natural hedge it enjoys because of its offshore operations and its foreign currency earnings.

The company has no other refinancing plans in the next few months. The earliest maturing debt is a US$515m senior bank debt facility due in 2020.

Sonic had net debt of A$2.48bn as of June 30.

SEEK INCREASES REFI TO US$1.025bn

Recruitment firm **SEEK** has put in place a US$1.025bn-equivalent multi-tranche refinancing that has helped it to extend its debt maturities.

The latest loan, launched at US$874m in November, refinances a A$917m (US$660m) dual-tranche facility completed in June 2017.

At launch, the new loan comprised a A$300m three-year revolving credit facility (Tranche A), a A$250m four-year revolver (Tranche B), a US$275m five-year revolver (Tranche C), a US$100m four-year term loan (Tranche D) and a US$100m five-year term loan (Tranche E).

All five tranches were oversubscribed, but Seek increased only Tranches A and E to A$375m and US$200m, respectively.

TOTAL NUMBER AND VOLUME OF SIGNED SYNDICATED CREDITS BY COUNTRY

1/1/2018–31/12/2018

Country	No of issues	Volume US$(m)
Saudi Arabia	16	44,169.70
UAE	43	22,885.9
South Africa	50	16,819.2
Oman	6	10,410.0
Egypt	16	9,490.9
Qatar	6	7,333.8
Kuwait	8	7,217.5
Ghana	3	2,900.00
Bahrain	4	2,180.0
Israel	3	1,919.4
Angola	3	1,735.1
Kenya	5	1,290.0
Nigeria	6	1,133.8
Burundi	1	460.0
Uganda	1	367.0
Mali	1	305.2
Tanzania	1	113.5
Zambia	1	113.0
Zimbabwe	1	50.0
Botswana	1	47.9
Liberia	1	30.0
Rwanda	1	11.5
Africa/Middle East	**178**	**130,983.4**
Japan	1,936	232,578.6
China	317	111,261.7
Hong Kong	217	110,603.7
Australia	203	95,534.0
Singapore	91	51,663.6
India	181	42,732.6
Taiwan	186	35,956.3
Indonesia	61	20,188.4
Malaysia	28	15,290.4
Macau	7	8,739.5
New Zealand	20	5,902.6
South Korea	11	5,581.6
Vietnam	16	3,920.3
Philippines	11	2,963.1
Kazakhstan	5	2,225.0
Pakistan	8	1,612.7
Thailand	9	1,340.4
Azerbaijan	2	941.2
Uzbekistan	1	660.0
Maldives	1	305.0
Turkmenistan	1	268.4
Jordan	1	250.0
Laos	2	248.3
Cambodia	2	200.0
Papua New Guinea	1	190.0
Myanmar (Burma)	1	185.0
Bangladesh	2	121.9
Lebanon	1	95.0
Asia-Pacific	**3,322**	**751,559.3**
United States	4,362	2,912,476.8
Canada	582	267,388.2
Brazil	24	21,895.2
Mexico	53	21,159.4
Chile	9	3,788.7
Bermuda	6	2,630.0
Peru	8	2,318.0
Argentina	6	1,999.6
Colombia	6	1,753.3
Panama	6	596.5
El Salvador	1	485.0
Ecuador	2	470.0
Costa Rica	1	130.0
Americas	**5,066**	**3,237,090.7**
United Kingdom	226	178,674.1
France	277	163,229.3
Germany	179	128,309.9
Spain	228	84,021.1
Italy	131	73,674.9
Netherlands	77	71,069.7
Switzerland	35	44,751.6
Luxembourg	24	27,340.2
Belgium	39	19,661.5
Norway	48	19,491.4
Turkey	30	16,856.4
Denmark	12	13,610.0
Sweden	29	11,818.4
Poland	12	8,466.9
Austria	14	7,736.2
Finland	30	7,089.7
Czech Republic	5	6,753.8
Russian Federation	15	6,680.0
Portugal	10	6,570.0
Ireland	8	3,467.0
Cyprus	2	2,425.0
Slovak Republic	2	2,039.7
Hungary	5	2,014.1
Croatia	3	1,991.6
Ukraine	6	1,720.0
Greece	2	1,288.3
Romania	7	1,039.4
Monaco	3	755.4
Malta	5	748.5
Bulgaria	2	561.3
Estonia	2	540.9
Iceland	1	181.2
Lithuania	1	139.9
San Marino	1	55.5
Europe	**1,471**	**914,772.9**
Total	**10,037**	**5,034,406.3**

Source: Refinitiv

The new facility included all the nine banks from the 2017 facility and 10 others. The existing banks received the same allocation as the previous ones, and the increased amount was distributed among the 10 new banks.

The interest margins on the latest loan are tied to a net leverage grid with opening margins at 140bp and 155bp over BBSY for Tranches A and B, respectively, and 165bp, 155bp and 165bp over Libor for Tranches C, D and E, respectively.

The A$917m June 2017 loan comprised a A$190m 25-month tranche, a A$360m 37-month portion and a US$275m 49-month piece paying margins of 190bp and 205bp over BBSY, and 220bp over Libor, respectively.

The banks participating in the latest loan are*HSBC, National Australia Bank, ANZ, Westpac, MUFG, SMBC, Bank of China Sydney, Bank of China (Hong Kong), Royal Bank of Canada, United Overseas Bank, Agricultural Bank of China, Commonwealth Bank of Australia, DBS Bank, Bank of Taiwan, China Merchants Bank, First Commercial Bank, Mega International Commercial Bank, Taiwan Business Bank, Taiwan Cooperative Bank*and *Taipei Fubon Commercial Bank.*

CHINA

MOLYBDENUM SEEKS US$220m REFI

Hong Kong and Shanghai-listed **CHINA MOLYBDENUM** has launched a US$220m three-year bullet term loan for refinancing.

The company is the guarantor, while its wholly owned Australia-incorporated subsidiary **CMOC MINING** is the borrower.

ANZ, Bank of China, Citigroup and *Westpac* are the mandated lead arrangers and bookrunners of the deal, which pays an interest margin of 180bp over Libor.

Banks have been invited to join at one level with tickets of US$15m or more for an all-in pricing of 190bp based on a 30bp fee.

GLOBAL LOANS BOOKRUNNERS – FULLY SYNDICATED VOLUME
BOOKRUNNERS: 1/1/2018–31/12/2018

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	JP Morgan	1,280	424,494.25	9.4
2	BAML	1,347	404,631.06	8.9
3	Citigroup	763	271,013.04	6.0
4	Wells Fargo	957	261,564.11	5.8
5	MUFG	1141	196,739.35	4.4
6	Mizuho	760	166,624.66	3.7
7	Goldman Sachs	430	153,373.86	3.4
8	Barclays	521	143,791.27	3.2
9	RBC	540	140,259.44	3.1
10	BNP Paribas	480	132,781.11	2.9
	Total	**8,862**	**4,521,667.04**	

Proportional credit
Source: Refinitiv SDC code: R1

The borrower holds 80% of the Northparkes copper and gold mine in New South Wales. The remainder is owned by units of Sumitomo Group.

China Molybdenum produces molybdenum, tungsten, cobalt, niobium, copper ore and phosphates.

COUNTRY GARDEN SIGNS US$931m LOAN

Hong Kong-listed property developer **COUNTRY GARDEN HOLDINGS** has signed a dual-tranche loan at US$931m-equivalent.

The facility, launched at US$1bn-equivalent in October, now has currency splits of HK$3.47bn (US$445m) and US$486.216m, according to a stock exchange filing.

The two-year tranche has a size of around US$831m-equivalent, while the three-year portion totals US$100m.

The coordinators and mandated lead arrangers and bookrunners are *HSBC* and *Industrial & Commercial Bank of China (Asia)*. HSBC held HK$1.15bn, while *ICBC* lent US$300m-equivalent in total through two entities. ICBC (Asia) is the facility agent.

The banks that joined as MLABs are: *Hang Seng Bank* (HK$1.15bn), *China Minsheng Banking Corp* (about US$93m), *JP Morgan* (about US$93m) and *China Merchants Bank* (US$100m). *China Everbright Bank* joined as lead arranger with US$50m.

Ownership covenants require Yang Huiyan and Yeung Kwok Keung to together remain the largest shareholders of Country Garden with a minimum combined stake of 40% and to maintain management control, and either Yang or Yeung to be the chairperson of Country Garden's board of directors.

The facility has interest margins of 265bp and 295bp over Libor/Hibor for the two and three-year portions and offered top-level all-in pricing of 350bp and 380bp for average lives of 1.95 years and 2.7 years for the respective tranches.

GLOBAL LOANS BOOKRUNNERS – FULLY SYNDICATED VOLUME (EX US)
BOOKRUNNERS: 1/1/2018–31/12/2018

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Mizuho	561	101,652.55	6.3
2	MUFG	814	90,103.13	5.6
3	Sumitomo Mitsui Finl	722	84,563.09	5.2
4	Bank of China	263	74,717.79	4.6
5	Credit Agricole	295	69,399.24	4.3
6	BNP Paribas	282	64,879.26	4.0
7	JP Morgan	133	59,082.90	3.7
8	HSBC	254	57,969.59	3.6
9	RBC	207	54,558.89	3.4
10	TD Securities	161	48,060.05	3.0
	Total	**4,571**	**1,616,351.39**	

Proportional credit
Source: Refinitiv SDC code: R4

Some of the company's subsidiaries are providing guarantees. Funds are for refinancing and general corporate purposes.

Country Garden is rated Ba2/BB+/BBB–.

ZIJIN SIGNS LOAN FOR NEVSUN BUY

ZIJIN MINING GROUP has closed a five-year term loan backing its C$1.84bn (US$1.35bn) acquisition of Canadian miner Nevsun Resources.

The amortising term loan was oversubscribed, but was signed at US$840m – slightly less than the target deal size of US$870m – as the borrower is said to have wanted a smaller amount.

Mandated lead arranger, bookrunner and facility agent *China Construction Bank* brought in 10 banks. *Bank of China, China Citic Bank* and *ICBC Asia* joined as MLAs, while *Agricultural Bank of China, China Development Bank, China Everbright Bank, China Minsheng Banking Corp, Credit Agricole CIB, Export-Import Bank of China* and *Postal Savings Bank of China* joined as lead arrangers.

The borrower is **GOLD MOUNTAINS (HK) INTERNATIONAL MINING**, and the guarantor is Zijin.

There is a one-year extension option.

Zijin has cleared all the regulatory hurdles to proceed with the all-cash offer. Nevsun's shareholders had until December 28 to tender their shares to Zijin, according to a statement on the company's website.

If the takeover proceeds successfully, Zijin will acquire the Timok copper-gold mine in Serbia. Nevsun has exploration activities in Serbia and Macedonia.

Hong Kong and Shanghai-listed Zijin, rated Baa3/BBB–/BBB–, is headquartered in China's Fujian province and mines gold, copper, zinc and other mineral resources.

CHINA AIRCRAFT LEASING SEALS PDP DEAL

CHINA AIRCRAFT LEASING GROUP HOLDINGS has launched an unsecured US$500m five-year revolving credit facility.

Bank of Communications Hong Kong branch, China Everbright Bank Hong Kong branch, Chiyu Banking Corp, Chong Hing Bank, Industrial & Commercial Bank of China (Asia) and *Nanyang Commercial Bank* are the mandated lead arrangers and bookrunners of the pre-delivery payment financing. China Everbright is the facility agent.

The interest margin is 240bp over Libor.

Banks have been invited to join as lead arrangers with commitments of US$70m or more for top-level all-in pricing of 255bp based on an upfront fee of 75bp, as co-lead arrangers with tickets of US$50m–$69m for an all-in of 253.5bp through a 67.5bp fee, as arrangers with US$35m–$49m for an all-in of 252bp via a

60bp fee and as lead managers with US$20m–$34m for an all-in of 250.5bp via a 52.5bp fee.

China Aircraft Leasing is providing a guarantee and its wholly owned subsidiary CALC PDP 5 is the borrower.

Funds are for on-lending to wholly owned units of China Aircraft Leasing to fund pre-delivery payments for buying aircraft, which must not be pledged as security for any debt.

In October 2017, China Aircraft Leasing raised a US$425m 4.5-year pre-delivery payment financing. China Aircraft Leasing was the guarantor, while CALC PDP 3 was the borrower.

Compared with the latest revolver, the 2017 facility pays richer pricing with a margin of 265bp over Libor and top-level all-in pricing of 284bp.

State-owned China Everbright Group holds a stake of about 34% in China Aircraft Leasing, which owns and manages a fleet of 115 aircraft.

CMB INTERNATIONAL LEASING SEEKS FUNDS

CMB INTERNATIONAL LEASING MANAGEMENT, a fully owned unit of CMB Financial Leasing, is looking for a US$120m eight-year ship financing.

Sole mandated lead arranger and bookrunner *CTBC Bank* is conducting a limited syndication for the amortising term loan, which is for refinancing.

CMB International Leasing Management is the guarantor, while the borrowers are six of the guarantor's special-purpose vehicles, each holding a ship. The six ships are providing security.

CMB International Leasing Management is rated BBB+ (S&P).

SHAGANG INCREASES REFI TO US$260m

Steel producer JIANGSU SHAGANG GROUP has increased its three-year bullet term loan to US$260m from US$180m.

Original mandated lead arranger and bookrunner *Standard Chartered (Hong Kong)* has brought in seven banks, including *China Citic Bank, First Abu Dhabi Bank* and *Industrial & Commercial Bank of China (Asia)*, as MLABs.

Mandated lead arranger is *ANZ*, Lead arranger is *Bank of Taiwan*, while arrangers are *CTBC Bank* and *KDB Asia*.

The borrower is SHAGANG SOUTH-ASIA (HONG KONG) TRADING, a wholly owned subsidiary of Jiangsu Shagang, while the parent company is the guarantor.

The interest margin is 190bp over Libor and the top-level all-in pricing is 215bp.

ZHENGTONG'S LOAN ATTRACTS FIVE

Car dealership CHINA ZHENGTONG AUTO SERVICES HOLDINGS has increased its three-year amortising term loan to US$150m after it exercised the deal's US$50m greenshoe option.

Cinda International Asset Management is the lead adviser, while *Taiwan Cooperative Bank* is the mandated lead arranger and bookrunner of the transaction.

China Everbright Bank Hong Kong branch, CMB Wing Lung Bank and *United Overseas Bank* joined as mandated lead arrangers, while *Bank of East Asia OBU* and *Bank of Shanghai Hong Kong* joined as lead arrangers.

An ownership covenant requires Wang Muqing, his close relatives and their trusts to own at least 50% of ZhengTong throughout the term of the loan. A family trust of Wang holds about 56% of the borrower.

The deal has an interest margin of 315bp over Libor and offered top-level all-in pricing of 358.56bp for an average life of 2.525 years.

Funds were for working capital for the borrower's 95%-owned unit Shanghai Dongzheng Automotive Finance.

HONG KONG

LONGFOR SIGNS FACILITY WITH 12 BANKS

Developer LONGFOR GROUP HOLDINGS has signed a HK$15.3bn (US$1.96bn) five-year bullet term loan.

Mandated lead arrangers and bookrunners are *Bank of China*, *Industrial & Commercial Bank of China*, *HSBC*, *DBS Bank*, *Agricultural Bank of China*, *China Construction Bank*, *CMB Wing Lung Bank* and *Standard Chartered*. Mandated lead arrangers are *Bank of East Asia*, *Hang Seng Bank*, *China Citic Bank International* and *China Minsheng Banking Corp*.

The facility, which pays an interest margin of 172bp over Hibor, offered all-in pricing of 205bp based on an upfront fee of 165bp.

A group of Longfor units are providing guarantees.

In January 2018, Longfor raised a HK$10.209bn five-year club loan from eight banks. That deal offered all-in pricing under 200bp.

The company has projects in 40 cities in China and is rated Baa3/BBB–/BBB.

AGILE CLOSES MACAU DEAL AT HK$1.75bn

Property developer AGILE GROUP HOLDINGS has closed a three-year term loan at HK$1.75bn (US$224m).

Mandated lead arranger and bookrunner *Industrial & Commercial Bank of China Macau* signed the original facility at HK$780m in October and has held this amount.

The sole MLAB has closed syndication of the greenshoe option, which has a final amount of HK$970m, with five joining banks. *Goldman Sachs* and *China Guangfa Bank Macau branch* were the latest lenders to join with combined commitments of HK$350m.

The three banks that earlier joined with HK$620m combined were *Agricultural Bank of China Macau branch, Luso International Banking* and *Tai Fung Bank*.

China Guangfa, the final bank to commit, was substituted into the deal on December 21.

The unsecured financing, which was only syndicated in Macau, had a target deal size of HK$3bn-equivalent. Banks could lend US dollars or HK dollars or both but all lenders chose to provide HK dollars.

The amortising loan pays an interest margin of 380bp over Hibor and top-level all-in pricing of 538bp for an average life of 2.65 years.

Agile, which has projects in Hong Kong, and in cities in China and Kuala Lumpur, is rated Ba3/BB (Moody's/S&P).

XINYI GLASS RAISES LOAN TO HK$1.2bn

Automobile glass maker XINYI GLASS HOLDINGS has increased its three-year bullet term loan to HK$1.2bn (US$154m) from HK$750m.

Sole mandated lead arranger and bookrunner *SMBC* brought in *State Bank of India Hong Kong branch, Credit Industriel et Commercial, KDB Asia* and *Hua Nan Commercial Bank*.

XINYI GROUP (GLASS), a unit of Xinyi Glass, is the borrower and Xinyi Glass is the guarantor.

Before the close of syndication, Xinyi Glass loosened the financial covenant applying to the guarantor's ratio of total borrowings to tangible net worth. The maximum for that ratio is now 0.9 times, up from 0.7 times.

ASIA-PACIFIC LOANS BOOKRUNNERS – FULLY SYNDICATED VOLUME (INCLUDING JAPAN)

BOOKRUNNERS: 1/1/2018–31/12/2018

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Mizuho	495	84,279.78	14.7
2	MUFG	733	68,917.13	12.0
3	Bank of China	243	68,461.20	12.0
4	Sumitomo Mitsui Finl	620	63,119.51	11.0
5	ANZ	100	22,255.90	3.9
6	HSBC	87	17,647.57	3.1
7	Standard Chartered	92	13,807.06	2.4
8	Credit Agricole	45	13,574.15	2.4
9	NAB	47	11,912.64	2.1
10	DBS Group	74	9,506.91	1.7
	Total	**2,889**	**572,441.69**	

Proportional credit

Source: Refinitiv SDC code: S3a

Before changing that financial covenant, lenders agreed to remove a separate covenant that caps the annual dividend payout at 50% of the guarantor's consolidated net profit after tax and prohibits dividend payments from being declared in the event of default.

The deal pays a top-level all-in pricing of 118bp based on an interest margin of 90bp over Hibor.

BEIJING CAPITAL LAND COMPLETES LOAN

BEIJING CAPITAL LAND has closed its HK$1.3bn (US$166m) three-year bullet term loan.

Mandated lead arranger, bookrunner and facility agent *CMB Wing Lung Bank* has brought in *Bank of East Asia, Industrial Bank Hong Kong branch* and *Ping An Bank Shenzhen branch*.

The interest margin is 230bp over Hibor and top-level all-in pricing was 280bp.

Rated Ba3/BB+/BB+, the Hong Kong-listed borrower is a real estate developer operating in major cities in China, including Beijing, Chengdu, Chongqing, Shanghai and Tianjin.

Beijing Capital Group, a state-owned enterprise group directly under the supervision of the State-owned Assets Supervision and Administration Commission of the Beijing Municipality, holds a controlling stake in the borrower.

BEIJING ENTERPRISES BVI CLOSES REFI

BEIJING ENTERPRISES GROUP (BVI) has closed its HK$4.5bn (US$577m) five-year term loan with two banks joining the facility.

Mandated lead arrangers and bookrunners *Agricultural Bank of China, ANZ, Bank of China, Bank of Communications, DBS Bank, Hang Seng Bank, Mizuho Bank* and *Natixis* held HK$522.5m each, while *Bank of Taiwan* and *Land Bank of Taiwan* joined as arrangers with HK$200m and HK$120m, respectively.

The MLABs, which signed the deal on November 12, have also pre-funded it. BoCHK is the facility agent.

The interest margin is 113bp over Hibor and the top-level all-in pricing is 120bp. Funds will refinance a HK$6bn five-year loan signed in November 2013.

The borrower, rated Baa1 (Moody's), holds about 62% of Hong Kong-listed Beijing Enterprises Holdings, which distributes natural gas, supplies water, provides waste-water treatment services and brews beer in China.

GF SEC SIGNS HK$4.1bn CLUB

Brokerage company GF SECURITIES has signed a HK$4.1bn (US$526m) three-year club facility with seven banks.

The company is providing a letter of comfort and its wholly owned subsidiary GF Holdings (Hong Kong) is the borrower.

The deal comprises a HK$1.23bn term loan and a HK$2.87bn revolving credit facility.

Mandated lead arrangers *Bank of China*, *HSBC*, *China Citic Bank International*, *China Construction Bank*, *Nanyang Commercial Bank*, *Shanghai Pudong Development Bank* and *Standard Chartered* lent pro rata to the loan and revolver tranches. BOCHK is the facility agent.

Funds are for refinancing and working capital purposes.

INDIA

UPL NETS US$3bn LOAN FOR ARYSTA

A US$3bn five-year loan backing agrochemicals company UPL's purchase of US-based Arysta LifeScience has closed after attracting 19 banks in general syndication.

MUFG and *Rabobank* were the original mandated lead arrangers, underwriters and bookrunners of the bullet term loan. *ANZ*, *Barclays*, *DBS Bank*, *First Abu Dhabi Bank*, *JP Morgan* and *Societe Generale* joined as MLABs in senior syndication.

Senior mandated lead arrangers are *Intesa Sanpaolo Hong Kong*, *Intesa Sanpaolo Singapore* and *State Bank of India*. Mandated lead arrangers are *ABN AMRO* and *Fifth Third Bank*.

Lead arranger is *UniCredit Bank*. Arrangers are *BBVA* and *Bank of the Philippine Islands*, while lead managers are *Siemens Bank*, *Mega International Commercial Bank*, *Banco Sabadell*, *Bank Sinopac*, *Chang Hwa Commercial Bank*, *Credit Industriel et Commercial*, *Taiwan Cooperative Bank* and *Woori Bank*.

Managers are *Aozora Asia Pacific Finance*, *Taichung Commercial Bank*, *Fuyo General Lease* and *Shikoku Bank*.

The deal pays an initial interest margin of 160bp above Libor based on ratings of BBB–/Baa3/BBB–.

Lenders were offered top-level all-in pricing of 175bp via a participation fee of 75bp.

On July 20, UPL said that its fully owned unit UPL Corp had signed an agreement with Platform Specialty Products to buy Arysta and its subsidiaries for US$4.2bn in an all-cash deal.

The acquisition will be financed via a combination of the loan and the injection of US$1.2bn of new equity directly into UPL Corp from two new long-term equity partners – a wholly owned subsidiary of Abu Dhabi Investment Authority and a wholly owned subsidiary of Texas Pacific Group, each providing US$600m for a combined shareholding of about 22% in UPL Corp.

On December 7, UPL announced the new leadership appointments for the merged entity. These will be effective upon completion of the transaction, which is subject to obtaining various regulatory approvals and the satisfaction of the customary closing conditions.

Following the acquisition, UPL will become one of the largest global crop-protection companies.

BPRL LAUNCHES US$350m LOAN

State-owned oil and gas company Bharat PetroResources has launched a US$350m loan.

DBS Bank is the mandated lead arranger and bookrunner of the transaction, which has a US$125m three-year Tranche A, a US$125m five-year Tranche B and a US$100m seven-year Tranche C.

The interest margins are 110bp, 135bp and 195bp over Libor, respectively, for Tranches A, B and C. The average lives are 2.5, 4.5 and 6.5 years.

Lead arrangers committing US$50m or more receive top-level all-in pricing of 130bp, 155bp or 210bp via participation fees of 50bp, 90bp or 97.5bp, respectively, for Tranches A, B and C. Arrangers coming in for US$25m–$49m receive all-in pricing of 125bp, 150bp or 206bp via fees of 37.5bp, 67.5bp or 71.5bp, respectively. Managers committing US$10m–$24m receive all-in pricing of 120bp, 145bp or 202bp via fees of 25bp, 45bp or 45.5bp, respectively.

Funds are for general corporate purposes.

The borrower is BPRL INTERNATIONAL, a wholly owned unit of BPRL, which in turn is a wholly owned subsidiary of Bharat Petroleum Corp.

Meanwhile, debt-ridden state-run carrier AIR INDIA has obtained a US$210m six-month club financing for capital expenditure purposes.

First Abu Dhabi Bank, *Mashreqbank* and *Standard Chartered* were the lenders on the facility. FAB is the facility and security agent.

INDONESIA

MEDCO ENERGI RBL GETS STRONG RESPONSE

MEDCO ENERGI INTERNASIONAL's US$500m reserve-based revolving credit facility has drawn a strong response from the market with 12 lenders joining in general syndication.

ANZ, *ING Bank* and *Societe Generale* were the mandated lead arrangers and bookrunners of the three-year financing, which paid top-level all-in pricing of 431.7bp based on an interest margin of 375bp over Libor and an average life of 2.83 years.

Mandated lead arrangers are *DBS Indonesia*, *Bank Mandiri*, *BNP Paribas*, *Credit Agricole CIB*, *Credit Suisse*, *Natixis*, *Standard Chartered* and *SMBC*. Lead arranger is *HSBC*, while arrangers are *Mizuho Bank*, *MUFG* and *UOB*.

Subsidiaries Medco E&P Malaka and Medco E&P Tomori Sulawesi are the borrowers of the financing, which will be used for general corporate purposes.

Listed on the Jakarta Stock Exchange, Medco Energi is involved in oil and gas exploration and production, drilling and rig services, electrical power generation and coal mining.

BTN CLOSES INCREASED FINANCING

State-owned lender **BANK TABUNGAN NEGARA** has obtained a US$130m one-year financing, with a handful of banks joining in syndication.

ANZ was the original mandated lead arranger and bookrunner of the transaction, which was increased from an initial size of US$100m. *DBS Bank* and *OCBC* joined the deal as MLABs in general syndication and *Shinhan Bank* came in as an MLA. *Korea Development Bank* and *State Bank of India* participated as lead arrangers.

The deal offered top-level all-in pricing of 80bp (offshore) and 100bp (onshore) based on interest margins of 65bp (offshore) and 85bp (onshore) over Libor, respectively.

Funds were used for general corporate purposes.

BARITO PACIFIC EXERCISES GREENSHOE

Jakarta-listed conglomerate **BARITO PACIFIC** has exercised the greenshoe option for its up to US$200m three-year bullet loan after attracting four lenders in general syndication.

Barclays and *DBS Bank* were the mandated lead arrangers, bookrunners and equal underwriters of the loan, which had a US$175m base size and a US$25m greenshoe.

Chailease International Financial Services, *CTBC Bank*, *First Commercial Bank* and *ICICI Bank* joined the deal as lead arrangers.

The financing offered top-level all-in pricing of 461.67bp based on a blended interest margin of 433.33bp over Libor. The margin is 375bp over Libor in the first year, 425bp in the second and 500bp in the third. The deal also pays a duration fee of 35bp after the first year. Proceeds are for refinancing debt.

Security for the financing is in the form of shares in Chandra Asri Petrochemical, Indonesia's largest petrochemical plant. Barito Pacific owns a 46.3% stake in Chandra Asri.

Barito Pacific also bought a roughly 67% stake in Star Energy Group Holdings in early June for US$755m.

Meanwhile, Barito Pacific is also seeking a US$2bn loan to fund the construction of two 1,000 MW coal-fired plants in Indonesia. The financing will comprise commercial and export credit agency-backed tranches. The commercial tranche is expected to carry a 15-year tenor.

DBS is the financial adviser for the project, which is estimated to cost about US$3bn and will involve the construction of two ultra supercritical plants at Suralaya in Banten province.

JAPAN

HUAWEI FREEZES SAMURAI SYNDICATION

HUAWEI TECHNOLOGIES has put on hold a planned US$300m-equivalent debut Samurai loan after the arrest of its global chief financial officer.

The three Japanese mega banks – *Mizuho Bank*, *MUFG* and *SMBC* – have postponed the general syndication, which was launched in November.

The three lenders underwrote US$100m-equivalent each, but the funds have not been drawn.

The arrest of the CFO on December 1 and news that Japan plans to ban government purchases of Huawei equipment have curbed Japanese lenders' appetite.

The Chinese telecoms giant has already been virtually locked out of the US market and has been prohibited by Australia and New Zealand from building 5G networks amid concerns that its equipment could facilitate Chinese spying.

Shenzhen-based Huawei, the world's largest telecoms equipment maker, established a Japan unit in 2005.

Meanwhile, **BANK OF COMMUNICATIONS FINANCIAL LEASING** signed in December a US$300m-equivalent yen-dominated loan, becoming the first leasing company from China to tap the Samurai loan market.

Agricultural Bank of China, *Bank of Communications*, *Mizuho Bank* and *MUFG* were the mandated lead arrangers and bookrunners of the three-year borrowing, which was oversubscribed and increased from the US$200m-equivalent target.

Bank of China joined as MLA, while four Japanese banks joined as participants.

Proceeds are for general funding requirements of BoCom Leasing Management Hong Kong Co Ltd, a Hong Kong-based wholly owned unit of BoCom Financial Leasing. BoCom Financial Leasing will provide a keepwell agreement as well as liquidity support for the facility.

LENDERS FLOCK TO GLP'S SAMURAI LOAN

Sixteen banks joined the ¥60bn (US$531m) debut Samurai loan for Singapore-based **GLP**, the largest Samurai loan from Asia, sources said.

Agricultural Bank of China, *Banco do Brasil*, *Bank of Communications*, *Gunma Bank*, *Higo Bank*, *Hyakugo Bank*, *IBJ Leasing*, *Joyo Bank*, *Nanto Bank*, *Norinchukin Bank* and *Shinsei Bank* are some of the lenders.

The deal comprises a ¥15bn five-year tranche and a ¥45bn seven-year portion with margins of 65bp and 100bp over Tibor, respectively.

Mizuho Bank was the sole mandated lead arranger and bookrunner of the plain-vanilla corporate loan, which will partially refinance a US$4.108bn leveraged buyout loan completed in December for GLP's LBO. Mizuho pre-funded the loan in September.

In December 2017, GLP raised US$4.108bn through what was one of Asia's largest LBO loans. The borrowing comprised a US$750m five-year term loan Tranche A1, a US$750m three-year term loan Tranche A2, a US$2.108bn two-year term loan Tranche B and a US$500m five-year revolving credit facility with respective opening margins of 135bp, 120bp, 110bp and 135bp over Libor.

The 2017 deal offered top-level blended all-in pricing of 135.4bp based on a blended margin of 124.06bp over Libor and blended tenor of 3.095 years. The loan funded the buyout of Asia's biggest warehouse operator in a deal that valued the company's equity at about S$16bn (US$11.9bn). Special-purpose vehicle Nesta Investment Holdings was the acquiring entity.

GLP owns and operates a US$50bn global portfolio of 63 million square metres of logistic facilities in China, Japan, Brazil, the US and other markets.

HITACHI USES LOANS, CASH FOR ABB

HITACHI will fund its planned US$11bn acquisition of ABB's power grids division with loans and cash on hand.

Hitachi has agreed to buy an 80.1% stake in the division from the Swiss engineering group.

The Zurich-based company will initially retain 19.9%, with an exit option at fair market value, with a floor price set at 90% of the enterprise value, exercisable by ABB three years after closing.

The acquisition of the unit, which has operational Ebitda of US$1bn, is expected to be completed in the first half of 2020.

RENTAL HOUSING SIGNS ¥14bn REFI

JAPAN RENTAL HOUSING INVESTMENTS has signed a ¥14.203bn (US$126m) bullet term loan for refinancing.

The loan is split into ¥2bn four-year, ¥5.54bn 5.25-year and ¥6.163bn eight-year floating-rate portions with margins of 33.75bp, 37bp and 48.25bp over one-month Tibor, respectively. It also includes a ¥500m eight-year fixed-rate tranche with a 0.8% interest rate.

MUFG was the arranger and agent.

Existing lenders *Aozora Bank*, *Ashikaga Bank*, *Bank of Fukuoka*, *Mizuho Bank*, *Resona Bank*, *Shinsei Bank* and *SMBC* joined the floating-rate tranches. New lender Nippon Life Insurance joined the fixed-rate tranche.

The borrower invests in rental housing properties across Japan.

LAOS

LAOS CENTRAL BANK LAUNCHES DEALS

BANK OF THE LAO PEOPLE'S DEMOCRATIC REPUBLIC has launched two loans totalling US$200m.

Cathay United Bank is the mandated lead arranger and bookrunner of a US$100m four-year term loan for the country's central bank, while *Taipei Fubon Commercial Bank* is the MLAB on a same-sized two-year deal.

The four-year deal offers an interest margin of 435bp over Libor and has an average life of 3.4 years. MLAs committing US$15m or more will receive all-in pricing of 448bp via a participation fee of 45bp, while lead arrangers joining with US$10m–$14m earn all-in pricing of 445bp via a 35bp fee. Arrangers joining with US$5m–$9m earn all-in pricing of 442bp via a 25bp fee. Commitments are due by January 24.

The two-year facility offers an interest margin of 150bp over Libor and has an average life of 1.75 years. Taipei Fubon partially pre-funded the facility in late November. MLABs committing US$20m or more and MLAs committing US$15m–$19m will receive all-in pricing of 330bp via a participation fee of 315bp, while lead arrangers joining with US$10m–$14m earn all-in pricing of 315bp via a 288.75bp fee. Arrangers joining with US$5m–$9m earn all-in pricing of 300bp via a 262.5bp fee. Commitments are due by January 18.

Funds from both borrowings will be used to support the government's infrastructure projects as well as provide foreign currency liquidity to commercial banks operating in the country under the central bank's supervision.

MACAU

WYNN SIGNS A&E ON US$3.05bn LOAN

Hong Kong-listed casino operator Wynn Macau has signed a self-arranged amendment and extension of a US$3.05bn-equivalent facility last amended in September 2015.

Signing took place four months after syndication closed in August because the A&E required approval from the Macau government.

Bank of China Macau branch is the global coordinating lead arranger as well as the facility and security agent.

BOC Macau and 19 other banks joined the deal, which comprises a term loan of about US$2.3bn and a revolving credit facility of around US$750m, for an A&E fee of 25bp.

The loan and revolver continue to pay an interest margin ranging from 150bp to 225bp over Libor or Hibor based on the leverage ratio of borrower **WYNN RESORTS (MACAU)**.

Repayment of the loan tranche will take place through eight quarterly instalments, with the first instalment due on September 30 2020 and a balloon payment of 75%. The 2015 loan had a smaller balloon payment of 50%.

The entire facility has now been extended to mature on June 26 2022. The term loan was originally slated to mature in September 2021 and the revolver in September 2020.

Funds are for refinancing and general corporate purposes.

An ownership covenant requires Wynn Resorts to own at least 51% of the borrower and continue to be able to direct its management and policies throughout the term of the facility.

The borrower is a wholly owned subsidiary of Wynn Macau, which is about 72%-owned by Nasdaq-listed Wynn Resorts.

PHILIPPINES

PETRON SEEKS UP TO US$600m REFI

PETRON, majority owned by conglomerate San Miguel, is tapping relationship banks for a US$500m–$600m five-year refinancing.

San Miguel owns a 68% stake in the borrower, which is the country's largest oil refiner.

Meanwhile, **METROBANK CARD** has increased its three-year term loan to US$165m from US$100m after exercising a greenshoe option.

Mandated lead arranger, bookrunner and underwriter *ANZ* has closed syndication with 13 banks, including *SMBC*, which joined as MLAB.

Mandated lead arranger is *77 Bank*, while lead arrangers are *Chang Hwa Commercial Bank*, *E. Sun Commercial Bank*, *First Commercial Bank*, *Far Eastern International Bank*, *Gunma Bank*, *Hyakugo Bank*, *Taiwan Cooperative Bank*, *Hua Nan Commercial Bank OBU* and *Hua Nan Commercial Bank Singapore*. Arrangers are *Land Bank of Taiwan*, *Shanghai Commercial & Savings Bank* and *Taishin International Bank*.

The bullet deal pays an interest margin of 100bp over Libor and offered a top-level all-in pricing of 120bp.

SINGAPORE

APRIL LOAN ATTRACTS 21 BANKS

Asia Pacific Resources International has increased its self-arranged loan to US$835m from US$800m.

Twenty-one banks joined the facility, including *ABN AMRO Singapore branch, First Abu Dhabi Bank Singapore branch* and *MUFG Singapore branch* for the mandated lead arranger and bookrunner title.

Mandated lead arranger is *Chiyu Banking Corp*, while lead arrangers are *China Citic BankInternational*, *DZ Bank*, *State Bank of India*, *ICICI Bank* and *Industrial & Commercial Bank of China*.

Arrangers are *China Everbright Bank*, *National Bank of Kuwait*, *Bank of Shanghai*, *Intesa Sanpaolo*, *Yuanta Commercial Bank* and *Industrial & Commercial Bank of China*. Managers are *KEB Hana Bank*, *Land Bank of Taiwan*, *Taiwan Cooperative Bank*, *Bank SinoPac*, *Taiwan Business Bank*, *Shanghai Commercial & Savings Bank* and *Taishin International Bank*.

The facility comprises a US$725m five-year portion (Facility A) and a US$110m seven-year piece (Facility B).

The interest margins are 215bp and 240bp over Libor, respectively, for the five and seven-year tranches. The average lives are 3.125 and 4.125 years. The top-level fees were 80bp for Facility A and 105bp for Facility B.

FAB is the facility and security agent, while ABN AMRO is the documentation agent.

APRIL's units Asia Pacific Resources International Holdings (APRIHL) and Cayman-incorporated AP International Resources (API) are guarantors. **APRIL INTERNATIONAL ENTERPRISE**, a unit of API, is the borrower. Six other units of API and eight units of APRIHL are also providing guarantees.

APRIHL owns companies that produce pulp and paper and API is a pulp and paper trading company.

TAIWAN

WISTRON SIGNS US$610m FACILITY

Electronics manufacturer **WISTRON** has signed a US$610m 364-day accounts receivable factoring facility.

Mega International Commercial Bank was the sole mandated lead arranger and bookrunner of the transaction, which has a US$610m Tranche A for Wistron and a US$610m Tranche B for British Virgin Islands-incorporated **AII HOLDING**. The borrower can only draw a maximum amount of US$610m combined from the two portions.

Chang Hwa Commercial Bank, *First Commercial Bank*, *Bank Sinopac* and *BBVA* are the other lenders.

The deal pays an interest margin of 90bp over Libor. Funds are for working capital purposes.

THAILAND

MINT SEEKS US$400m

Hospitality company **MINOR INTERNATIONAL** has launched a roughly US$400m-equivalent five-year term loan.

Mandated lead arranger, bookrunner and underwriter *SMBC* signed the unsecured deal on September 25 2018 and has pre-funded the facility. SMBC Singapore branch is the facility agent.

The loan comprises a US$238m tranche with a remaining life of 4.6 years and a €138.85m (US$158m) portion with a remaining life of 4.7 years.

The interest margins are 158bp over Libor for the US dollar tranche and 140bp over Euribor for the euro portion.

Banks have been invited to join the US dollar tranche or the euro portion, or both, as MLAs with tickets of US$50m or €50m, as lead arrangers with commitments of US$30m or €30m and as arrangers with tickets of US$20m or €20m.

The US dollar tranche pays all-ins of 168.9bp for MLAs, 164.5bp for lead arrangers and 162.3bp for arrangers, while the euro portion offers all-ins of 150.6bp, 146.4bp and 144.3bp for the respective commitment levels.

The entire facility has an availability period of three months.

There is also a greenshoe option only available in euros.

Funds are to refinance short-term financings used to buy shares in Spanish hotel group NH Hotel Group SA through a tender offer and existing term loans, and also for general corporate purposes.

In October, MINT increased its stake in Bolsa de Madrid-listed NH Hotel Group to 94.1% from 46.4%. HNA Group Co Ltd was the Spanish company's largest shareholder before the acquisition.

After increasing its stake in NH Hotel Group, Thailand-listed MINT owns 549 hotels globally, up from 158 hotels.

VIETNAM

VPBANK RETURNS WITH US$130m LOAN

VPBANK FINANCE has launched a US$130m 364-day senior secured facility, returning to the market six months after its last visit.

Credit Suisse and *Taishin International Bank* are the mandated lead arrangers and bookrunners of the bullet financing, which pays an interest margin of 275bp over Libor and has a maturity of 0.8 years upon syndication transfer.

Lenders receive top-level all-in pricing of 325bp and the MLA title for commitments of US$20m and above based on an upfront fee of 40bp, or an all-in of 313bp and the lead arranger title for tickets of US$10m–$20m via a 30bp fee.

The deal is extendable for 12 months upon mutual agreement and can be extended two times. The potential extension fee is 50bp.

The financing is backed by collection accounts and a mortgage over the borrower's receivables under an identified portfolio subject to a minimum coverage ratio of 150% of the total outstanding loan amount at all times.

LAO VIET BANK EXERCISES GREENSHOE

LAO VIET BANK has increased its three-year term loan to US$100m from a US$60m target after exercising a greenshoe option.

Cathay United Bank was the original mandated lead arranger and bookrunner of the bullet loan, while *Bank Sinopac*, *Taichung Commercial Bank Labuan branch*, *Union Bank of Taiwan* and *Yuanta Commercial Bank* joined with the same title.

Mandated lead arrangers are *Cathay Life Insurance*, *Chang Hwa Commercial Bank*, *E. Sun Commercial Bank*, *First Commercial Bank*, *KGI Bank*, *Shanghai Commercial & Savings Bank*, *Sunny Bank*, *Taiwan Business Bank*, *Taiwan Cooperative Bank* and *Shin Kong Commercial Bank*. Lead arrangers are *SinoPac Capital International* and *FCBL Capital International*.

The interest margin is 200bp over Libor. Banks were offered top-level all-in pricing of 217bp via a participation fee of 50bp.

Funds are for working capital purposes.

Meanwhile, steelmaker **HOA PHAT GROUP** has signed a US$200m five-year financing with five lenders.

BNP Paribas, *Bank of China*, *HSBC*, *ICBC* and *Maybank* are the mandated lead arrangers of the club deal, which will be used for general corporate purposes. BNP Paribas is the coordinator.

And elsewhere, mobile communications provider **VIETNAMOBILE TELECOMMUNICATIONS** has obtained a US$170m 364-day club facility.

Citigroup, *Credit Agricole*, *HSBC* and *OCBC* were the mandated lead arrangers of the bullet deal, which is for general corporate and refinancing purposes.

The deal is guaranteed by CK Hutchison Holdings, which owns Hutchison Asia Telecom, one of the borrower's major shareholders. The other major shareholder is Hanoi Telecom.

EUROPE/MIDDLE EAST/AFRICA

ANGOLA

SONANGOL LAUNCHES US$1bn LOAN

State-owned oil company **SONANGOL** has launched a US$1bn five-year receivables purchase agreement facility.

The borrower is subsidiary Sonangol Finance Ltd, with parent Sonangol providing a guarantee for the loan.

The facility has been fully underwritten by *African Export-Import Bank*, *Natixis*, *Societe Generale* and *Standard Chartered Bank* as initial mandated lead arrangers and bookrunners, and has been launched into general syndication targeting international financial institutions.

The facility will be used to fund purchases under the company's receivables purchase agreements, which will in turn be used by Sonangol to fund its projected operating expenditure and capital expenditure requirements under its Regeneration Program.

The programme is focused on the crude oil and natural gas value chain and on the operating performance of the company's subsidiaries and associates to become more efficient and profitable and to create more value for the shareholder.

Sonangol was last in the market in February 2016 when it signed a US$1bn five-year loan arranged by Standard Chartered, Natixis and Standard Bank.

AUSTRIA

OMV WRAPS €3bn REVOLVER

Oil and gas group **OMV** has closed a €3bn syndicated revolving credit facility, the largest existing revolving credit facility in the Austrian market.

The five-year financing comprises a €2bn back-up facility and a €1bn working capital facility.

The relationship defining facility closed 55% oversubscribed with commitments from 19 international banks.

EMEA lending rises to US$1.05trn in 2018

EMEA Refinancing made up 62% of the market

Syndicated lending in Europe, the Middle East and Africa in 2018 broke the trillion-dollar mark for the first time in three years as volume rose 17.4% to US$1.05trn due to increased refinancing activity and stable levels of M&A financing.

Annual volume is the highest since US$1.16trn was raised in 2015, as companies moved to secure medium-term liquidity or made acquisitions to consolidate market positions ahead of a highly uncertain 2019.

The number of deals completed also increased by 13% in 2018, to 1,647 from 1,453 in 2017.

Despite the lead-up to a potentially disorderly Brexit, the ending of the EU's quantitative easing programme, rising interest rates, fears of a US-China trade war, and other macroeconomic concerns, continued competition between lenders meant a benign market for borrowers, which were able to secure financing on highly attractive terms.

However, some banks looking to boost the profitability of their lending operations were disappointed by the level of activity in EMEA.

"The investment-grade loan market fell short of expectations. Although volume was up, refinancing and amend and extends really drove activity, meaning the overall fee pool was down," a senior banker said.

"There was no steady stream of blockbuster M&A deals to fall back on. We had expected more."

Refinancing, traditionally the main driver of the EMEA syndicated loan market, was up 16% in 2018 to US$654bn, making up a substantial 62% of the market.

German car maker DAIMLER signed an €11bn revolving credit facility in July, which replaced its existing €9bn credit line on significantly improved terms.

M&A ACTION

Despite a busy year for M&A transactions in EMEA, loans backing acquisitions increased by just 4.5% to US$251bn in 2018 as many companies side-stepped the loan market for all-share deals, asset swaps or funding acquisitions through existing cash and credit facilities.

In April, ACS majority-owned German builder HOCHTIEF completed the largest loan of 2018 by signing a €18.18bn financing backing its joint takeover, with Italian transport infrastructure company Atlantia, of Spanish toll-road operator Abertis.

The acquisition was completed in October with the two partners putting in place €9.95bn of non-recourse loans in place for a new holding company.

In April, GLAXOSMITHKLINE completed a US$12.9bn-equivalent bridge loan backing its US$13bn buyout of Novartis' 36.5% stake in its consumer healthcare joint venture.

In December, GSK lined up a further US$9.42bn loan to back its acquisition of US cancer drug specialist Tesaro. Part of that financing will be used to refinance £3.5bn of April's bridge loan.

In Central and Eastern Europe, Middle East and Africa, loan volume in 2018 reached US$184.2bn, up 47% from US$125.2bn in 2017.

CEEMEA volume was dominated by lending to Middle East borrowers, which raised US$96.5bn in 2018, more than double the US$47bn total in 2017.

Middle East lending was boosted by two huge loans for Saudi Arabian borrowers. Sovereign wealth fund PUBLIC INVESTMENT FUND signed an US$11bn loan in September, which followed a US$16bn loan for the SAUDI GOVERNMENT in March.

In 2019, bankers are anticipating a record US$50bn-$70bn financing to back oil and gas giant SAUDI ARAMCO's purchase of a stake of up to 70% in SABIC.

The deal was put on hold following the murder of journalist Jamal Khashoggi in the Saudi consulate in Istanbul on October 2, which sparked a political row and hit the investment climate in the kingdom.

LEVERAGED SLUMP

A slump in European leveraged volume in the fourth quarter meant the year finished at US$206.7bn, 19.2% down from the US$255.8bn recorded for 2017.

Overall, 2018 proved to be the third most active year for sponsors and bankers since the global financial crisis, even as Brexit uncertainty continued to overshadow the market and a US-led trade war ramped up.

Refinancings in the leveraged market in 2018 totalled US$94.6bn, substantially down from US$161bn in 2017, dragging overall volume lower. However, M&A activity rose in 2018 compared with the previous year, reaching US$65.3bn from US$50.1bn in 2017.

2018 saw an increase in new-money, event-driven deals as investment-grade corporates offloaded subsidiaries to a hungry private equity market.

"It was the year of the carve-out," said one leveraged banker.

Multi-billion loans funding Carlyle's acquisition of AKZO NOBEL and KKR's buyout of FLORA FOOD GROUP were some of the largest leveraged deals in Europe in 2018, and were new names to the market.

A €2.7bn leveraged loan funding Macquarie's acquisition of Danish telecoms company TDC was the biggest in Europe in 2018, highlighting the robust demand from investors.

Activity in the second half of 2018 tailed off, however, as investors became more selective about credits amid rising volatility.

"The outlook is difficult to read," said one investor, citing Brexit and the prospect of trade wars in 2019. "All these uncertainties could affect fundamental growth and cause huge volatility that we have already seen in the equity markets."

Volatility hit the leveraged market in December. Borrowers repriced deals higher to lure investors and some sterling-denominated deals struggled to close.

UK cinema chain VUE and trust and custodial services provider VISTRA both scrapped deals in December. Other deals priced up, including a loan for health and devices manufacturer NEMERA.

Alasdair Reilly, David Brooke, Prudence Ho

Bookrunners and mandated lead arrangers *UniCredit* and *Barclays* coordinated the financing.

BayernLB, *BNP Paribas*, *Citigroup*, *Commerzbank*, *Credit Agricole CIB*, *DZ Bank*, *Erste Bank*, *Helaba*, *ING*, *Intesa Sanpaolo*, *LBBW*, *MUFG*, *Mizuho Bank*, *Raiffeisen Bank International*, *Societe Generale* and *SMBC* were also bookrunners and mandated lead arrangers. *JP Morgan* was lead arranger.

UniCredit is also facility agent, while Barclays is documentation agent. OMV is listed on the Vienna Stock Exchange and is rated A3 by Moody's and A- by Fitch.

BELARUS

BELARUSBANK SIGNS €151m LOAN

BELARUSBANK has raised a €151m syndicated loan that will be used to finance the trade contracts of its customers. The financing comprises tranches of 1.5 and two years.

The loan is being provided by a group of banks from Russia, Kazakhstan and Azerbaijan, including three new lenders.

Alfa Bank, *Eurasian Development Bank*, *AK Bars Bank* and *Transkapitalbank* were mandated lead arrangers.

Rosselkhozbank, *Sovcombank*, *Novikombank*, *Russian Regional Development Bank*, *Bank National Standard*, *Uralsib*, *Altyn Bank* (a

subsidiary of China CITIC Bank), *Alef-Bank* and *International Bank of Azerbaijan* also participated in the transaction.

The loan is the bank's fifteenth large-scale transaction.

Belarusbank tapped the loan market for a €245.1m-equivalent syndicated loan in January 2016.

That loan was used to finance the trade operations of its corporate clients, in particular commercial contracts for the supply of goods and equipment from Russia.

The facility comprised a €225m one-year tranche and a US$22m six-month tranche.

FRANCE

WORLDLINE TAKES €600m RCF

Payments and transactional services company WORLDLINE has signed a €600m revolving credit facility that will replace an existing €300m loan from parent company Atos.

The loan, which will be used for general corporate purposes, is for five years with two one-year extension options.

BBVA, *Barclays*, *BNP Paribas*, *Credit Agricole CIB*, *Commerzbank*, *CIC*, *ING*, *JP Morgan*, *MUFG*, *Natixis*, *Societe Generale*, *UBS* and *UniCredit* are providing the financing as mandated lead arrangers and bookrunners.

Meanwhile, materials and services firm CHARGEURS has signed a €230m syndicated loan to refinance €110m of existing bank loans and support the company's growth strategy.

The loan marks a change of strategy and scale for the company, which issued three euro private placements in 2016 and 2017 totalling €122m with maturities of up to 10 years.

The financing comprises a €100m five-year revolving credit facility with a one-year extension option and a €130m six-year term loan.

There is no leverage covenant on the financing, which is only subject to a gearing covenant of a maximum 1.2 times.

The financing was led by BPCE Group banks *Bred* and *Natixis* as bookrunners and mandated lead arrangers. *CIC* and *HSBC* were mandated lead arrangers, while *Banque Palatine*, *Caisse d'Epargne Ile de France*, *SaarLB*, *BNP Paribas*, *Bank of China* and *Commerzbank* also participated.

Chargeurs is involved in temporary surface protection, technical substrates, garment interlinings and combed wool.

FAURECIA NETS SSD FOR CLARION BUY

FAURECIA has placed a €700m Schuldschein to partly fund its ¥141bn (US$1.3bn) deal to buy Japanese car navigation system maker Clarion from Hitachi.

The financing replaces part of the one-year bridge loan that initially covered the whole acquisition funding.

The SSD comprises several tranches in euros and US dollars with maturities of four, five and six years.

Margins are below 1.8% on average.

Commerzbank and *Helaba* arranged the financing, which closed oversubscribed, with *Raiffeisenbank International* as co-arranger.

Faurecia plans to set up a new business division headquartered in Japan, named Faurecia Clarion Electronics Systems, which would have revenue of more than €2bn by 2022.

Meanwhile, plastic products company PLASTIC OMNIUM has placed a €300m seven-year Schuldschein.

The financing will be used for general funding, extending the company's debt maturities and diversifying its sources of financing.

The SSD pays a fixed coupon of 1.632%.

GERMANY

BAYER AGREES €4.5bn RCF

Drug and crop chemicals group BAYER has signed a €4.5bn revolving credit facility.

The self-arranged loan replaces an undrawn €3.5bn revolving facility that was signed in March 2011.

The new loan has a five-year tenor with two one-year extension options. A total of 23 institutions committed to the facility in equal amounts.

The bank syndicate comprises *BBVA*, *Banco Santander*, *Bank of America Merrill Lynch*, *Bank of New York Mellon*, *Barclays*, *BNP Paribas*, *Citigroup*, *Commerzbank*, *Credit Agricole CIB*, *Credit Suisse*, *Deutsche Bank*, *Goldman Sachs*, *HSBC*, *ING-DiBa*, *JP Morgan*, *MUFG*, *Mizuho Bank*, *Morgan Stanley*, *Rabobank*, *Standard Chartered Bank*, *SMBC*, *UniCredit* and *Wells Fargo*.

Meanwhile, horticultural marketing cooperative LANDGARD has completed a €232m loan that replaces its existing deal on improved terms.

The financing, which comprises a €142m term loan and a €90m revolving credit facility, has a three-year maturity with two one-year extension options.

Mandated lead arrangers and bookrunners were *Commerzbank* and *DZ Bank*.

NIBC Bank was mandated lead arranger while *BayernLB*, *Deutsche Postbank*, *Helaba*, *NordLB*, *NRW Bank*, *Sparkasse Rhein-Maas* and *Volksbank an der Niers* also participated.

DZ Bank is also facility and documentation agent.

IRELAND

HIBERNIA COMPLETES REFINANCING

Real estate investment trust HIBERNIA REIT has agreed the refinancing of its €400m secured revolving credit facility.

The new financing comprises a €320m unsecured revolving credit facility and €75m of unsecured US private placement notes.

The five-year RCF has a margin of 200bp over Euribor.

Joint arrangers are *Bank of Ireland*, *Wells Fargo*, *Barclays* and *Allied Irish Banks*. Bank of Ireland and Wells Fargo acted as joint coordinators and Bank of Ireland is agent.

The previous €400m RCF, which was repayable in November 2020 and had a margin of 205bp over Euribor, was the borrower's sole debt facility.

As a result of the refinancing the weighted average maturity of the borrower's debt has increased from 1.9 years to 5.7 years. The company's current net debt position is €210m.

Hibernia is listed on the Irish and London Stock Exchanges. The company acquires and holds investments in Irish property, mainly commercial property.

ITALY

IVS NETS €150m

Vending machine operator IVS has signed a €150m four-year syndicated loan to refinance existing loans and to back further acquisitions.

The financing comprises a €50m tranche for refinancing and a €100m tranche for acquisitions with an 18-month availability period.

EMEA LOANS BOOKRUNNERS – FULLY SYNDICATED VOLUME

BOOKRUNNERS: 1/1/2018–31/12/2018

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	BNP Paribas	219	52,393.86	7.2
2	Credit Agricole	234	52,007.62	7.2
3	JP Morgan	86	42,474.76	5.9
4	SG	145	37,570.19	5.2
5	UniCredit	173	37,233.01	5.1
6	ING	164	32,616.10	4.5
7	Citigroup	99	32,529.78	4.5
8	HSBC	130	31,676.09	4.4
9	Deutsche Bank	104	30,850.05	4.3
10	Natixis	120	25,610.37	3.5
	Total	**996**	**725,494.09**	

Proportional credit

Source: Refinitiv SDC code: R17

BNP Paribas was global coordinator and bookrunner, while *BNL*, *Banca MPS* and *Rabobank* were mandated lead arrangers.

The financing supports the company's growth strategy through acquisitions while increasing the average maturity of existing bank loans and reducing the company's weighted average cost of debt.

Meanwhile, gas and water distribution company **EROGASMET** has signed a €310m seven-year loan to refinance existing debt and support the company's business plan, including upcoming tenders.

The financing was coordinated by *Banca IMI* alongside *Banco BPM* as bookrunners and mandated lead arrangers.

UniCredit and *Unione di Banche Italiane* were mandated lead arrangers while *Mediocredito Italiano* was lead arranger.

BNP Paribas/BNL, *Credit Agricole CIB* and *Sparkasse* were lenders.

Banca IMI was also facility agent.

LUXEMBOURG

ARCELORMITTAL SIGNS US$5.5bn REFI

Luxembourg-headquartered steelmaker **ARCELORMITTAL** has signed a US$5.5bn revolving credit facility, replacing a facility of the same size that was originally agreed in April 2015 and amended in December 2016.

The RCF is for five years plus two one-year extension options and will be used for general corporate purposes.

The financing was agreed on considerably improved terms and extends the company's average maturity by around three years.

The previous financing was originally agreed in April 2015 for US$6bn then amended in December 2016, reducing the facility to US$5.5bn.

The amended financing, which was coordinated by *BNP Paribas*, *Citigroup*, *Credit Agricole CIB*, and *UniCredit*, comprised US$2.3bn maturing in December 2019, and US$3.2bn maturing in December 2021.

In November, ArcelorMittal placed a US$7bn one-year bridge loan backing its bid for India's debt-laden Essar Steel.

SES NETS €400m SCHULDSCHEIN

Satellite operator **SES** has completed a €400m multi-tranche Schuldschein loan.

The deal comprises a €150m 5.5-year floating tranche at 80bp over six-month Euribor and a €250m seven-year fixed-rate tranche with a coupon of 1.71%.

The Schuldschein loan was increased from the initially marketed size and was placed with several European and Asian institutions.

BNP Paribas, *ING*, *Landesbank Baden-Wurttemberg* and *Landesbank Hessen-Thuringen* acted as joint arrangers.

Proceeds will support SES' general corporate purposes and the refinancing of existing debt maturities, which include a US$500m 144A bond with a coupon of 2.5% and a final maturity date of 25 March 2019.

SES is rated Baa2/BBB-.

NETHERLANDS

TAKEAWAY.COM ORDERS BRIDGE

Online food delivery marketplace **TAKEAWAY.COM** is backing its around €930m acquisition of Delivery Hero's German businesses with a €680m 12-month bridge loan.

The bridge loan will be used to fund the cash portion of the acquisition and refinance a €150m bridge loan arranged in July by ABN AMRO and ING to back Takeaway.com's acquisition of Israel-based online food marketplace operator 10bis.

One third of the new bridge loan is due after seven months. The loan also has a three-month extension option over €150m of the facility amount.

Takeaway.com expects to refinance the bridge loan with equity, equity-linked instruments or debt.

ABN AMRO, *Bank of America Merrill Lynch* and *ING* have agreed a standby equity underwriting for the bridge financing amount.

The acquisition, which is expected to be completed in the first half of 2019, will also be funded through around €422m of Takeaway.com shares.

NORWAY

STOREBRAND SIGNS €200m RCF

Savings and insurance company **STOREBRAND** has signed a €200m multicurrency revolving credit facility.

The five-year deal includes a two-year extension option and replaces an existing €240m facility that was signed in 2014.

On the new deal *Nordea* acted as coordinator, with *Skandinaviska Enskilda Banken* as facility agent. Other lenders are *Citigroup*, *Danske Bank*, *DNB*, *Handelsbanken*, *JP Morgan* and *Swedbank*.

QATAR

DOHA BANK CLOSES US$525m TL

DOHA BANK has closed a US$525m syndicated term loan that will be used for general corporate purposes.

The senior unsecured loan has an initial two-year maturity with an additional one-year extension option.

The financing, which was increased from US$400m after an oversubscription, pays 100bp over Libor.

ANZ, *Commerzbank*, *ING*, *Mizuho Bank*, *MUFG* and *Wells Fargo* were bookrunners and mandated lead arrangers on the financing, while *Commercial Bank of Qatar* joined as lead arranger.

Wells Fargo was also coordinator and documentation agent and is facility agent.

RUSSIA

SOVCOMFLOT CLOSES US$264m RCF

Shipping company **SOVCOMFLOT** has signed a US$264m six-year revolving credit facility with a consortium of five international banks.

Mandated lead arrangers and bookrunners are *Citibank*, *DVB Bank*, *ING*, *Societe Generale* and *UniCredit*, with ING also acting as facility agent.

The cash is being used for the early refinancing of a balloon payment due on one of the group's tanker loan facilities in 2019, whilst also providing an additional line of available credit for general corporate purposes.

Sovcomflot specialises in the transportation of crude oil, petroleum products, and liquefied gas, as well as the servicing of offshore oil and gas exploration and production.

SWEDEN

SCANDI STANDARD EXTENDS LOAN

Nordic food producer **SCANDI STANDARD** has completed a two-year extension of its SKr2.2bn (US$243m) credit facilities to December 2023, increased covenant flexibility, and has an option to increase the facilities.

The facilities comprise the existing SKr1.45bn multicurrency term loan facility and existing SKr750m multicurrency revolving loan facility and include the option to increase the facilities by up to SKr2bn (previously SKr1.25bn), subject to agreement with the lenders.

The revised terms of the facilities also include the option to increase the permitted leverage ratio for a period of 12 months following an acquisition, also subject to lender approval. This can be done twice during the term of the facilities.

The credit facilities remain subject to an interest cover ratio covenant of 4.00:1 and a

leverage ratio covenant of 4.00:1.

The bank group includes *ABN AMRO*, *Danske Bank*, *DNB*, *Nordea* and *Rabobank*.

Scandi said the extension of the credit facilities was aimed at securing long-term financing tailored to match its ambitions for organic and strategic growth.

The extension will cost Scandi SKr6m in legal and bank fees, which will be amortised over the life of the facilities.

The facilities were last refinanced in December 2016, when the company signed a five-year SKr2.2bn loan refinancing on improved terms. At that time the company's existing financing comprised a SKr750m multicurrency term loan and a SKr750m multicurrency revolver maturing in July 2019 and July 2017.

SWITZERLAND

VALORA FIRST WITH FRANC SSD

Pastry product retailer **VALORA** has become the first company to issue a Swiss franc-denominated Schuldschein after placing a €100m and SFr63m five-year SSD.

The SSD will be used to refinance an existing €78m SSD that was due to mature in April 2019 on considerably improved terms, while the Swiss franc tranche will also be used to partly refinance a Swiss franc hybrid bond that was redeemed at the end of October.

The SSD also saw a digital parallel marketing via Debtvision.

Strong demand from Swiss, German and international investors, saw the financing increase from the original target amount of €50m.

The financing was arranged by *Commerzbank*, *LBBW* and *UBS*.

Valora placed a €170m five-year SSD in January 2018 via Commerzbank, DZ Bank and LBBW.

TURKEY

GARANTI NETS US$1.3bn REFI

GARANTI BANK has signed two loans totalling US$1.3bn, refinancing a US$1.35bn syndicated loan raised in November 2017.

The new financing comprises a 367-day facility, a two-year facility and a seven-year loan.

Last year's financing included US$1.17bn-equivalent of 367-day facilities comprising a US$405m tranche and a €648.5m tranche paying 135bp over Libor and 125bp over Euribor respectively.

There was also a US$180m, two-year plus one-day facility paying 220bp over Libor.

UKRAINE

SOVEREIGN GETS GUARANTEE

The World Bank has approved a US$750m loan guarantee for **UKRAINE**, President Petro Poroshenko said on Twitter in December.

He said it was proof of his nation's "tangible progress on the reform path."

The government sent out requests for proposals to banks for the loan, which will be internationally syndicated, in November, and is looking for commitments of between US$75m-$100m from each lender.

The maturity of the loan could be around seven years but potentially not all of the loan will be covered by the guarantee.

UK

GSK TAPS FOR TESARO BUY

GLAXOSMITHKLINE is backing its US$5.1bn acquisition of US cancer drug specialist Tesaro with US$9.42bn-equivalent loan financing arranged by *Bank of America Merrill Lynch*.

The 364-day financing comprises a US$5bn tranche that will be used to finance the acquisition and a £3.5bn tranche, which will be used to refinance GSK's existing £3.5bn bridge loan that was arranged in April.

The facilities also have two six-month extension options.

The margin increases over time. For the first three months it is 10bp over Libor, rising to 15bp until six months after signing. For months 6-9 it is 25bp, then 37.5bp up to 12 months. For months 12-15 it is 50bp, rising to 62.5bp up to 18 months. The margin is 75bp for months 18-21 and then 87.5bp thereafter.

If GSK is downgraded to A-/A3 or lower the applicable margin rises by 2.5bp.

Commitment fees start at 10% of the applicable margin after two months, rising to 20% after four months and to 30% after six months.

Extension fees start at 5bp-7.5bp for the first extension option depending on amount drawn, rising to 7.5bp-10bp for the second extension option.

The deal comes after GSK tapped the loan market in April for a US$12.9bn-equivalent financing backing its buyout of Novartis' 36.5% stake in its consumer healthcare joint venture.

That loan comprised US$8bn and £3.5bn, was jointly underwritten by bookrunners Barclays, Citigroup and JP Morgan.

GSK is rated A+ by S&P and A2 by Moody's.

CITYFIBRE NETS £1.12bn LOAN

Alternative full fibre network infrastructure company **CITYFIBRE** has agreed a £1.12bn debt package to fund the first part of its £2.5bn investment plan to roll-out full fibre to five million homes.

The financing includes a £775m seven-year capital expenditure facility and a £45m revolving overdraft and working capital facility. There is also a £300m accordion facility.

Proceeds will be used to fund the deployment of the first two million homes of the investment plan, expanding CityFibre's existing full fibre networks in 37 previously announced towns and cities nationwide.

ABN AMRO, *Deutsche Bank*, *Lloyds Bank*, *Natixis*, *NatWest*, *Santander* and *Societe Generale* are providing the financing.

Privately-owned CityFibre was acquired by Antin Infrastructure Partners and Goldman Sachs managed West Street Infrastructure Partners in June in a deal valuing the company at around £538m.

Elsewhere, integrated metering services company **SMART METERING SYSTEMS** has signed a £420m five-year revolving credit facility, replacing its existing £280m that was due to mature in November 2020.

The financing was agreed in similar terms to the previous facility.

The previous facility was amended and extended in November 2017 via Banco Santander, Bank of Scotland, Barclays, Clydesdale Bank and HSBC.

The facility paid 185bp over three-month Libor and a 65bp commitment fee on undrawn funds.

Glasgow-headquartered SMS connects, owns and operates gas and electricity meters on behalf of major energy companies.

ASHTEAD UPS ABL TO US$4.1bn

Equipment hire firm **ASHTEAD GROUP** has increased its existing asset based lending facility by US$1bn to US$4.1bn.

The maturity of the financing has also been extended to December 2023 from July 2022.

Pricing ranges from 125bp to 175bp over Libor, the same range as previously, but current borrowings pay 150bp, 25bp less than previously.

Ashtead aims to maintain leverage in a target range of 1.5 to 2.0 times net debt to Ebitda.

Lenders include *Bank of America Merrill Lynch*, *Barclays*, *Citigroup*, *Deutsche Bank*, *HSBC*, *JP Morgan*, *Lloyds Bank*, *Royal Bank of Scotland*, *SunTrust Bank*, *Union Bank*, *Santander*, *Wells Fargo*, *Capital Bank*, *City National Bank*, *Fifth Third Bank*, *PNC Bank* and *Webster Bank*.

Elsewhere, international energy services group **HUNTING** has agreed improved terms on its existing bank facilities, extending the maturity of the financing to 2022 from 2020.

The financing has been reduced to US$160m from US$200m, but may be increased up to US$235m and extended by a further year with the agreement of lenders.

Lloyds, *Barclays*, *HSBC*, *Wells Fargo* and *DBS* were lenders under the financing.

Hunting amended the revolving credit facility in July 2016 after a breach of covenants. The amendment saw committed facilities reduced to US$200m from US$350m previously, changes in the security package and covenants.

Margins were also increased to 275bp over Libor from around 165bp.

After improved trading in 2017, Hunting exited the revised bank covenants in January 2018.

Hunting makes downhole metal tools and components used to extract hydrocarbons.

TRIG UPS ACQUISITION LOAN

THE RENEWABLES INFRASTRUCTURE GROUP has amended and increased its existing revolving acquisition facility by £100m to £340m to help fund acquisitions.

The amendment came as TRIG announced it had acquired a 75% stake in the Erstrask Wind Farm in Sweden for €190m.

The acquisition loan has also been extended to December 2021 with an option to extend by a further 12 months: previously the facility had been due to mature in September 2019.

The margin has been reduced to 190bp over Libor/Euribor from 205bp.

The amended loan was agreed with existing lenders *Royal Bank of Scotland*, *National Australia Bank* and *ING*.

The loan was originally agreed in April 2016 totalling £150m with a three-year maturity. The financing - from RBS and NAB - included a £15m working capital facility and paid a drawn margin of 205bp over Libor.

The facility maturity was extended by five months in January 2017 and the financing was increased to £240m in January 2018, with ING joining the lender group.

Meanwhile, continental European logistics real estate firm **TRITAX EUROBOX** has increased its existing unsecured revolving credit facility, originally agreed in October, by €100m to €300m.

The increase, which was agreed on the same terms as the existing financing, was provided by *Bank of America Merrill Lynch*, joining existing lenders *HSBC* and *BNP Paribas*.

The financing, which has an initial five-year maturity with two one-year extension options, pays an initial margin of 155bp over Euribor.

When the facility is fully drawn the company's loan to value ratio will be around 38%, inside its medium-term LTV target of 45%.

Tritax EuroBox completed an IPO in July, raising £300m of gross proceeds.

HARBOURVEST NETS EVERGREEN LOAN

HARBOURVEST GLOBAL PRIVATE EQUITY has agreed a US$600m multicurrency revolving credit facility, replacing its existing US$500m facility on improved terms.

The financing is structured as a five-year evergreen with a two-year initial no-notice provision, giving a guaranteed initial term of seven years. From January 2021, the lenders are able to serve notice, but this must be a minimum of five years.

Pricing has been reduced to 250bp over Libor for drawings of less than US$300m, increasing by 40bp for drawings over that amount. The previous facility paid 275bp for drawings of less than US$250m increasing by 30bp for drawings over that amount.

The new facility pays a blended commitment fee of 95bp on undrawn funds, down from 115bp on the previous facility.

The financing is provided equally by existing lender *Credit Suisse* and new lender *MUFG*.

Credit Suisse is facility agent.

The previous facility, which was renewed in December 2017, was provided equally by Lloyds Bank and Credit Suisse.

HPVE has had a net cash position since August 2014 with no requirements to use borrowed funds since.

NORTH AMERICA

UNITED STATES

BRISTOL-MYERS NETS JUMBO BRIDGE

The US$33.5bn bridge facility secured by **BRISTOL-MYERS SQUIBB** to support its US$74bn purchase of Celgene Corp, the biggest healthcare acquisition ever, will be evenly split between *Morgan Stanley* and *MUFG*. (see Top News)

The financing is a 364-day senior unsecured bridge term loan, with the two initial banks acting as joint lead arrangers and joint bookrunners.

Morgan Stanley is sole administrative agent, and lead left.

Pricing is linked to ratings and steps up over time.

For A+/A1 the margin is 75bp over Libor for 89 days after the closing date, 100bp to day 179, 125bp to day 269 and 150bp thereafter. For A/A2 the margin is 87.5bp over Libor for 89 days after the closing date, 112.5bp to day 179, 137.5bp to day 269 and 162.5bp thereafter. For A-/A3 the margin is 100bp over Libor for 89 days after the closing date, 125bp to day 179, 150bp to day 269 and 175bp thereafter. For BBB+/Baa1 the margin is 112.5bp over Libor for 89 days after the closing date, 137.5bp to day 179, 162.5bp to day 269 and 187.5bp thereafter.

For A+/A1 the commitment fee is 3bp, for A/A2 it is 4bp, for A-/A3 it is 6bp, and for BBB+/Baa1 it is 9bp.

Bristol-Myers is rated A2 by Moody's and A+ by S&P. Both rating agencies warned on Thursday that they may downgrade the company by one notch based largely on the increased debt taken on for the Celgene deal. Both rating agencies also said, though, that the combination likely will ultimately boost cash flow.

US AND CANADA LOANS BOOKRUNNERS – FULLY SYNDICATED VOLUME
BOOKRUNNERS: 1/1/2018–31/12/2018

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	BAML	1,274	381,527.83	12.0
2	JP Morgan	1,179	373,784.97	11.8
3	Wells Fargo	945	258,560.68	8.1
4	Citigroup	618	227,681.88	7.2
5	Goldman Sachs	390	136,738.83	4.3
6	RBC	512	129,350.59	4.1
7	Barclays	455	124,388.56	3.9
8	MUFG	334	107,551.21	3.4
9	Morgan Stanley	261	91,026.88	2.9
10	Deutsche Bank	340	83,983.61	2.6
	Total	**4,908**	**3,172,703.88**	

Proportional credit
Source: Refinitiv SDC code: R9

AMERICAS LOANS BOOKRUNNERS – FULLY SYNDICATED VOLUME
BOOKRUNNERS: 1/1/2018–31/12/2018

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	BAML	1,276	381,817.83	11.8
2	JP Morgan	1,198	378,779.44	11.7
3	Wells Fargo	946	258,590.68	8.0
4	Citigroup	641	231,771.43	7.2
5	Goldman Sachs	391	136,790.50	4.2
6	RBC	512	129,350.59	4.0
7	Barclays	455	124,388.56	3.9
8	MUFG	346	108,948.35	3.4
9	Morgan Stanley	261	91,026.88	2.8
10	Deutsche Bank	341	84,123.61	2.6
	Total	**5,013**	**3,223,731.26**	

Proportional credit
Source: Refinitiv SDC code: R7

The company said that if ratings differed by one level, pricing would be based on the higher level. Opening prices would as a result open at Rating Level 1.

Duration fees are 0.5% 90 days after closing, 0.75% 180 days after closing, and 1% 270 after closing.

BOSTON WRAPS BRIDGE, ADDS TL

Medical device maker **BOSTON SCIENTIFIC** has completed syndication of the £3.315bn bridge loan backing its recommended US$4.2bn cash offer for UK-based BTG.

The borrower has also agreed a US$2bn unsecured term loan as part of the financing backing the offer.

The bridge financing comprises a £3.115bn 364-day tranche 1 and a £200m 90-day tranche 2.

It was initially committed by sole lead arranger and sole bookrunner *Barclays* in November.

The bridge has been syndicated to *Bank of America Merrill Lynch*, *Citigroup*, *Deutsche Bank*, *Goldman Sachs*, *JP Morgan*, *Wells Fargo*, *Bank of Nova Scotia*, *BNP Paribas*, *DNB*, *Intesa Sanpaolo*, *MUFG*, *Royal Bank of Canada*, *Societe Generale*, *Standard Chartered Bank*, *Toronto-Dominion Bank* and *US Bank*.

The new term loan, which supplements the existing bridge loan, comprises a US$1bn two-year term loan and a US$1bn three-year term loan.

Pricing on the term loan is based on ratings. For A3/A- the two-year margin is 75bp over Libor, the three-year margin is 87.5bp over Libor and the ticking fee is 8bp; for Baa1/BBB+ the margins are 87.5bp and 100bp with a 9bp ticking fee; for Baa2/BBB the margins are 100bp and 112.5bp with a 11bp ticking fee; for Baa3/BBB- the margins are 112.5bp and 125bpwith a 15bp ticking fee; and for Ba1/BB+ the margins are 150bp and 162.5bp with a 22.5bp ticking fee.

Boston Scientific is rated BBB- by Moody's and BBB by Fitch.

Barclays, *BAML*, *Wells Fargo*, *JP Morgan* and *Bank of Nova Scotia* are joint lead arrangers and bookrunners on the financing.

TD Bank, *US Bank*, *MUFG*, *City National Bank*, *DNB*, *Standard Chartered* and *Allied Irish Bank* also participated.

Barclays is administration agent while Bank of Nova Scotia is documentation agent. BAML, Wells Fargo and JP Morgan are syndication agents.

NEWELL NETS US$2.25bn

Consumer products maker **NEWELL BRANDS** has agreed a US$1.25bn revolving credit and a US$1bn term loan.

The five-year revolver can be increased to US$1.75bn and will be used for general corporate purposes, while the term loan matures on June 14 2019 and will be used to finance recent announced tender offers.

JP Morgan is administrative agent for the revolver, which amends and restates an existing credit agreement dated in January 2016.

The new revolver includes up to US$100m for issuance of letters of credit.

Credit Suisse is administrative agent for the bridge loan that provides for the US$1bn senior unsecured term loan.

Pricing on the revolving credit is linked to ratings. For Baa1/BBB+ the margin is 87.5bp over Libor with a 12.5bp facility fee; for Baa2/BBB it is 97.5bp and 15bp; for Baa3/BBB- it is 105bp and 20bp; for Ba1/BB+ it is 127.5bp and 22.5bp; and for Ba2/BB it is 150bp and 25bp.

JP Morgan, *Barclays*, *Citigroup*, *HSBC*, *Bank of America Merrill Lynch* and *RBC* are joint lead arrangers and joint bookrunners for the revolver. Other lenders are *Credit Suisse*, *Goldman Sachs*, *MUFG*, *PNC*, *Wells Fargo*, *ING*, *Northern Trust* and *US Bank*.

Credit Suisse is sole lead arranger and sole bookrunner for the term loan, for which pricing is also linked to ratings.

For Baa3/BBB- it is 150bp over Libor, and for Ba1/BB+ it is 200bp.

Newell Brands is rated Baa3 by Moody's and BBB- by S&P.

Based on ratings, the revolving credit pricing opens at 105bp over Libor with a 20bp facility fee, and the term loan pricing is 150bp over Libor.

WESTERN UNION EXTENDS CREDIT

Money transfer company **WESTERN UNION** has amended and restated its credit agreement, comprised of a US$1.5bn unsecured revolving facility and US$950m unsecured term loan.

The revolver includes a sub-facility for US$250m issuance of letters of credit, and opening pricing remains at 110bp over Libor with a 15bp facility fee. It replaces a US$1.65bn revolver the company put in place in September 2015.

Altria lines up US$14.6bn for Juul, Cronos

US JP Morgan leads jumbo term loan for cigarette maker

Marlboro cigarette maker **ALTRIA GROUP**, which is paying US$12.8bn for a 35% share of e-cigarette company Juul Labs, is financing the purchase with a US$14.6bn term loan arranged by *JP Morgan*.

Altria said that US$1.8bn of the facility remains undrawn, and may be applied to the company's investment in Canadian cannabis producer Cronos Group that was announced earlier in December.

This part of the term loan financing replaces a bridge loan commitment of the same size that the company initially lined up for Cronos.

The company's cannabis and e-cigarette investments are directed at expanding its reach in fast-growing non-tobacco businesses.

The acquisition values San Francisco-based Juul at US$38bn.

"We are taking significant action to prepare for a future where adult smokers overwhelmingly choose non-combustible products over cigarettes," Altria Chief Executive Howard Willard said in a statement.

Altria said it expects 2019 adjusted diluted earnings per share guidance to be slightly below the low end of its long-term 7% to 9% adjusted diluted growth goal due to the debt incurred in connection with its investments in Juul and Cronos Group.

On December 7, Altria said it had secured US$1.8bn-equivalent in committed financing from JP Morgan to back its investment of the same size in Cronos.

As US companies reach to find ways to build up exposure to the growing marijuana business, investment is escalating in Canada, where unlike in the United States, marijuana is legal for recreational use nationally. Altria, with this investment, will hold up to a 55% share in Cronos.

LOAN TERMS

The new US$14.6bn 364-day facility matures on December 19 2019.

The loan is guaranteed by Philip Morris USA Inc, a wholly-owned subsidiary of Altria. JP Morgan is sole lead arranger and sole bookrunner.

Pricing is linked to ratings. For A-/A3 the margin is 100bp over Libor and the commitment fee is 9bp; for BBB+/Baa1 it is 112.5bp and 10bp; and for BBB+/Baa1 it is 125bp and 15bp.

Altria is rated BBB by S&P and A3 by Moody's.

The company said pricing is based on the higher of the ratings, which would put opening pricing at 100bp over Libor with a 9bp commitment fee.

Lynn Adler

Mergers, buyouts, refis spur record US loan issuance

■ US Loan volume reaches all-time high of US$2.6trn in 2018

Record financing for mergers and acquisitions, and a push to lock in borrowing costs before interest rates headed higher, drove US syndicated loan issuance to an all-time high of US$2.6trn in 2018, surpassing by 6% the record set a year earlier.

The high-octane lending pace may be difficult to replicate in 2019, as companies assess tactics in the highly volatile debt and equity markets that swept in late last year.

The new year got off to a rousing start, however, with a US$33.5bn bridge loan to support **BRISTOL-MYERS SQUIBB**, rated at A2/A+/A-, in its US$74bn acquisition of Celgene announced on Thursday.

The loan for the giant pharmaceutical company tie-up is the sixth largest US investment- grade bridge commitment on record, and the second largest in the US healthcare segment.

Market sentiment has shifted in recent weeks due to dramatic daily stock market swings, trade war worries, and emerging concerns about the state of the economy and degree of interest rate increases. But for much of 2018, confidence among borrowers and lenders was clear.

About 68% of the total volume was for loan refinancing by borrowers front-running an ongoing rise in interest rates, matching the record share of the previous year.

Corporate mergers of highly rated names were front-loaded to the first half of 2018, while a wave of jumbo leveraged buyouts took over the second half of the year, as companies sought growth through strategic tie-ups and private equity sponsors aggressively looked to deploy cash stockpiles.

RECORD YEAR

Lending to back mergers of investment grade-rated corporates and leveraged buyouts leapt 21% to a record US$648.5bn, well above the previous all-time high of US$546bn set in 2015.

"It has been an ideal market for leveraged loans over the past year, but there has been a massive amount of supply, dwarfing the bond market," said Richard R S Smith, managing director and head of leveraged capital markets for the Americas at Mizuho.

"Now, with questions about if or when there will be a recession, tremendous global equity volatility and the unsure direction of interest rates, the institutional investor is being driven to the sidelines," Smith said. "There continues to be demand for leveraged products, and issuers have access to the marketplace, just at a higher return to investors."

The US$1.24trn loans syndicated to highly indebted companies carrying low credit ratings was the second highest amount ever, 12% below the record set in 2017.

Large leveraged buyout financing in the second half included the biggest such deal since the financial crisis, supporting Blackstone's 55% purchase of the Financial & Risk unit of **THOMSON REUTERS** which includes IFR and was renamed **REFINITIV**. Loans backing **AKZO NOBEL**'s chemical business spin-off and **ENVISION HEALTHCARE**'s buyout by private equity firm KKR were in the same cluster.

Lending to investment-grade companies set a record at just above US$1trn, including about US$235bn for M&A deals that topped 2017's record total by 16%.

High-profile mergers included huge loan financings for health insurer **CIGNA**'s acquisition of pharmacy benefits manager Express Scripts Holding Co and for US cable company **COMCAST**'s purchase of a controlling stake in British pay-TV company Sky.

"Companies are still acquisitive and will find opportunities, even if there's more volatility," said one banker focused on investment-grade credits. "At the same time, banks still have the cash and the appetite to lend."

AT WHAT PRICE?

While bankers remain eager to put money to work, turbulent debt and equity markets could at the least slow the pace of dealmaking.

"I think what will impact M&A activity is that costs simply are higher: spreads are wider and yields are higher, so financing acquisitions is more expensive," said Todd Mahoney, head of fixed income syndicate, Americas, for UBS. "Secondly, you have a still fairly new administration, and you have less certainty from a regulatory standpoint that transactions will go through. These two factors slow down the M&A pipeline."

Even if pricing is not expected to widen significantly for better-rated names, the outlook is also uncertain. Several large mergers have been scuttled during the Trump administration for antitrust or national security concerns, and regulatory reviews are dragging on for long periods.

In the fourth quarter, total syndicated lending of US$660bn was little changed from the US$653bn in the same quarter of the previous year.

The changed market tone, which saw secondary loan prices sink in the final weeks of the year, is being closely watched by borrowers and investors.

LPC's index of the most heavily traded leveraged loans ended the year at 94.64, having fallen swiftly from as high as 98.91 in October.

"Although there is the potential for the market to move even lower, I'm encouraged that we have a much more attractive opportunity set to choose from as we move into 2019," said John Fraser, head of Investcorp Credit Management US.

Lynn Adler

The term loan, which can be increased by US$400m, is priced at 125bp over Libor.

Both loan mature on January 8 2024.

Citigroup is administrative agent for the revolver and *Bank of America Merrill Lynch* is administrative agent for the term loan.

The loans are available for working capital and general corporate purposes.

Citi, *BAML* and *Wells Fargo* are joint lead arrangers and joint bookrunners for the revolving credit. Other lenders are *Barclays*, *JP Morgan*, *US Bank*, *Fifth Third*, *Mizuho*, *BNY Mellon*, *BBVA*, *BMO Harris*, *CIBC*, *HSBC*, *RBC*, *Societe Generale*, *SunTrust*, *Bank of Nova Scotia*, *Northern Trust* and *Credit Suisse*.

Pricing on the RCF is linked to ratings. For A-/A3 the margin is 90bp over Libor with a 10bp facility fee; for BBB+/Baa1 it is 100bp and 12.5bp; for BBB/Baa2 it is 110bp and 15bp; for BBB-/Baa3 it is 130bp and 20bp; and for lower than BBB-/Baa3 it is 150bp and 25bp.

For the term loan, *BAML*, *BMO*, *Citi*, *Mizuho*, *State Bank of India*, *US Bank* and *Wells Fargo* are joint lead arrangers and joint bookrunners. Other lenders are *BBVA*, *Bank of Nova Scotia*, *Fifth Third*, *PNC*, *KeyBank*, *BOK Financial*, *Associated Bank*, *Barclays*, *HSBC*, *Northern Trust*, *BankPlus*, *RBC* and *Chiba Bank*.

For A-/A3 the margin is 100bp over Libor; for BBB+/Baa1 it is 112.5bp; for BBB/Baa2 it is 125bp; for BBB-/Baa3 it is 150bp; and for lower than BBB-/Baa3 it is 175bp.

BRIXMOR AMENDS US$2.4bn FACILITIES

Real estate investment trust **BRIXMOR PROPERTY GROUP** amended and restated US$2.4bn in unsecured credit facilities and has repaid nearly all of its secured debt.

The borrower is operating company Brixmor Operating Partnership, which extended the average weighted maturity and reduced pricing on the facilities.

The facilities are a US$1.25bn revolving credit and three separate term loans totalling US$1.15bn.

The revolver maturity was pushed out to February 28 2023 from July 2020, with two six-month extension options, while the interest margin was lowered to 110bp over Libor from 120bp.

Of the three term loans, a US$350m loan that was initially US$600m was extended to December 12 2023 from March 18 2019, with pricing revised to 125bp over Libor from 140bp.

A US$500m term loan due July 31 2021, with two six-month extension options, is now priced at 125bp over Libor rather than 135bp.

A US$300m term loan due July 25, 2024 is priced at 125bp over Libor instead of 190bp. The pricing reduction is due to occur starting in July.

The aggregate facilities can be increased by up to US$1.75bn.

JP Morgan, *Wells Fargo* and *Bank of America Merrill Lynch* are joint bookrunners and joint lead arrangers for the revolver and the US$500m term loan.

JP Morgan, *PNC* and *RBC* are joint bookrunners and joint lead arrangers for the US$350m term loan.

Wells Fargo, *PNC* and *US Bank National Association* are joint bookrunners and joint lead arrangers for the US$300m term loan.

Brixmor Operating Partnership is rated Baa3 by Moody's, BBB- by S&P and BBB- by Fitch.

BUNGE AMENDS RCF

BUNGE LIMITED FINANCE CORP, a unit of US grains trader **BUNGE**, has amended and extended a US$1.1bn five-year revolving credit.

The five-year loan is now due December 14 2023, pushing out the due date from November 20 2019, and can be extended for up to two one-year periods.

JP Morgan was administrative agent for the revolver, as well as for a US$600m back-up liquidity facility for Bunge subsidiary Bunge Asset Funding Corp's commercial paper program and revolving credit needs. The back-up facility's maturity was also extended to 2023.

Pricing is linked to ratings. For A-/A3 the margin is 100bp over Libor and the commitment fee is 9bp; for BBB+/Baa1 it is 112.5bp and 10bp; for BBB/Baa2 it is 125bp and 12.5bp; for BBB-/Baa3 it is 137.5bp and 17.5bp; and for BB+/Ba1 it is 162.5bp and 22.5bp.

The borrower is rated Baa3 by Moody's and BBB by S&P.

On the loan for Bunge Limited Finance the lenders are *Citigroup*, *JP Morgan*, *Commerzbank*, *Deutsche Bank*, *ICBC*, *Mizuho*, *US Bank*, *BNP Paribas*, *BBVA*, *BAML*, *Morgan Stanley*, *MUFG*, *Societe Generale*, *SunTrust*, *Arab Banking Corp*, *ANZ*, *Credit Suisse*, *DZ Bank*, *KBC Bank*, *Natixis*, *PNC*, *Standard Chartered*, *TD Bank, Banco Bradesco*, *Wells Fargo*, *ABN Amro*, *Credit Agricole*, *Itau*, *BMO* and *Sumitomo Mitsui*.

The back-up facility was provided by JP Morgan, Citigroup, BNP Paribas, Mizuho, Sumitomo, US Bank, MUFG, Credit Suisse, PNC, Standard Chartered, Wells Fargo, Rabobank, Credit Agricole, ING, BMO and Goldman Sachs.

Elsewhere, NYSE-listed **NORWEGIAN CRUISE LINE** has amended its existing senior secured credit facility for US$2.475bn.

An US$875m revolving credit facility has been repriced, while a Term Loan A has been increased to US$1.633bn from around US$1.299bn.

The maturities of both facilities have been extended to January 2024.

The increase in the Term Loan A will be used to prepay the entire outstanding amount under NCL's existing US$375m Term Loan B facility.

Under the amendment, pricing has been reduced by 25bp with both facilities paying a margin of between 100bp and 175bp over Libor, depending on the company's leverage ratio. Initial margins are 150bp over Libor.

JP Morgan and *Mizuho* acted as joint lead arrangers for the amendment.

Global cruise line NCL operates the Norwegian Cruise Line, Oceania Cruises and Regent Seven Seas Cruises brands.

AIRCASTLE UPS RCF

Listed aircraft leasing firm **AIRCASTLE** has signed an increased US$250m three-year revolving credit facility after attracting eight lenders in general syndication.

DBS Bank was the sole mandated lead arranger of the deal, which was increased from an initial size of US$225m. The facility paid a top-level all-in pricing of 170bp based on an interest margin of 150bp over Libor.

Mandated lead arranger is *State Bank of India*, while lead arranger is *Apple Bank for Savings*. Arrangers are *Credit Industriel et Commercial*, *Aozora Bank*, *Shinsei Bank* and *Woori Bank*. Managers are *Cathay United Bank* and *Korea Development Bank*.

Funds were for working capital and general corporate purposes and to refinance a US$135m three-year revolver signed in November 2016. DBS was also the sole MLAB of that financing, which pays a higher margin of 210bp over Libor and offered a top-level early bird all-in pricing of 225bp.

Aircastle owned and managed a fleet of 246 aircraft as of September 30. Japanese conglomerate Marubeni owns 27.5% of the company.

Meanwhile, **ARROW ELECTRONICS** has increased its existing revolving credit facility and pushed out the maturity by two years.

The US$2bn loan was increased by US$200m, and the due date is now in December 2023.

The company provides electronics and enterprise computing services for industrial and commercial customers and suppliers.

JP Morgan was administrative agent for the facility, which can be used for general corporate purposes.

Borrowings can be made, and letters of credit issued, in currencies including US dollars, pounds sterling ands euros.

LEGGETT & PLATT UPS DEAL

Diversified manufacturer **LEGGETT & PLATT** amended and restated a credit agreement allowing for borrowing of up to US$1.2bn, with *JP Morgan* as administrative agent.

The credit agreement also provides for a one-time draw of up to US$500m under a new five-year term loan to be used for acquisition purposes.

The prior agreement was for an US$800m facility dated in November 2017 with a November 2022 maturity date. The company plans to extend the maturity to January 2024.

Leggett in November said it would buy Elite Comfort Solutions for US$1.25bn, planning to increase the size of its existing revolving credit facility. Leggett said that increasing the size of the new credit agreement hinges in part on the timing of the acquisition financing date.

The US$500m Tranche A Term Loan will only be available in US dollars, with proceeds to be used only toward the Elite Comfort purchase.

The acquisition will bolster the company's bedding and furniture business.

Pricing is linked to ratings. For A+/A1 the margin is 75bp over Libor and the commitment fee is 6bp; for A/A2 it is 87.5bp and 7bp; for A-/A3 it is 100bp and 9bp; for BBB+/Baa1 it is 112.5bp and 11bp; and for BBB/Baa2 it is 125bp and 15bp.

Leggett is rated BBB+ by S&P and Baa1 by Moody's. Based on ratings, opening pricing is 112.5bp over Libor with an 11bp commitment fee.

Lenders are *JP Morgan*, *Wells Fargo*, *US Bank*, *MUFG*, *BAML*, *SunTrust*, *PNC*, *BMO*, *TD*, *BB&T*, *BBVA*,

Svenska Handelsbanken and *Arvest*.

Pemex targets bank, ECA-backed financing in 2019

■ MEXICO State-owned firm expected to raise approximately US$8bn

Energy producer **PEMEX** will look to banks and export credit agencies to finance part of its deficit this year, as the company enters 2019 under a new government and uncertain conditions in the international capital markets.

State-owned Pemex, which is expected to raise approximately US$8bn in external debt this year, is also facing a bearish investor base concerned that Mexico's new administration will hinder the company's fiscal situation.

Pemex raised roughly US$9.9bn from international bond markets in 2018, placing all but US$2bn before Mexico's presidential election in July. But as market conditions have waned globally and investor sentiment for Mexican risk has soured, Pemex may be forced to analyse less-frequent sources of funding, such as ECA-backed loans, in 2019.

President Andres Manuel Lopez Obrador, who took office on December 1, is proposing to boost the indebted Pemex's annual budget to US$23bn in 2019, a 14% year-on-year jump that serves to increase oil production and domestic fuel output, while reducing Mexico's reliance on fuel imports.

His emphasis on the less-profitable oil refining business is a shift away from former President Enrique Pena Nieto's energy reform policy that emphasised foreign investment into Mexico's oil and gas exploration and production sector.

"The focus looks to be on refining and the problem is that this is not a profitable part of Pemex's business," said an investment banker, adding that the company may need to conduct bank and investor meetings in order to quell market concerns.

While Pemex is poised to invest US$8bn into an oil refinery in the state of Tabasco, the company will also allocate capital expenditure towards onshore and shallow water drilling, but will apply less investment to costlier deepwater projects.

Exploration investment is predicted to increase 10% each year for the next six years, Pemex chief executive officer Octavio Romero said December 15 when he presented the 2019 budget alongside Lopez Obrador.

ECA TALKS

Pemex has a US$1.5bn bank-led revolving credit facility maturing in the second half of 2019 and is on course to raise between US$1bn-$1.5bn in ECA-backed finance this year.

The company has conducted talks with trade agencies such as Export Development Canada and the Netherlands' Atradius over ECA-backed loans and in November Pemex received a US$250m 10-year facility from BNP Paribas and HSBC that was 80% guaranteed by Italian ECA Servizi Assicurativi del Commercio Estero.

Despite the possibility of fresh bank and ECA-backed loans, Pemex still relies on international bond sales to finance the bulk of its annual deficit. At the end of September, Pemex tapped international bond markets for 75% of its 2018 requirements, while bank and ECA-backed facilities made up 13%.

Investment grade and state-owned, the capital markets typically look for Pemex or its Brazilian counterpart Petrobras to open the bond market for Latin American corporate issuers in January. But global equity market volatility has widened credit spreads across different asset classes and left bankers and investors braced for a slow January.

Pemex's yield curve was quoted roughly 300bp wide of Mexico's, and sources close to the company do not expect Pemex to issue new debt in January.

"Usually Pemex is between 100bp and 200bp back of the sovereign [Mexico]," a capital markets source in Mexico City said. "Markets have not been kind with Mexican corporate issuers."

Aaron Weinman

BERMUDA

ENSTAR AGREES US$500m TL

Insurance company **ENSTAR** has agreed a US$500m three-year term loan.

The unsecured financing is for general corporate purposes, including funding acquisitions and investments. The financing may be increased by up to US$150m with commitments from existing or new lenders.

Pricing is based on ratings. For A- it is 100bp over Libor; for BBB+ it is 125bp; for BBB it is 150bp; for BBB- it is 175bp and for BB+ it is 200bp.

Enstar is rated BBB by S&P and Fitch.

Wells Fargo was administrative agent alongside *National Australia Bank* and SunTrust as joint lead arrangers and joint bookrunners.

NAB and SunTrust Bank were also co-syndication agents. Other lenders were *HSBC*, *JP Morgan*, *Bank of Nova Scotia* and *Barclays*.

LEVERAGED LOANS

UNITED STATES

GREIF LINES UP FINANCING

Industrial packaging company **GREIF** has lined up US$2.97bn of commitments to back its acquisition of recycled materials and paper products manufacturer Caraustar.

The acquisition carries an enterprise value of US$1.8bn. Greif is buying the company from private equity firm HIG Capital. The transaction is expected to close during the first quarter.

The financing comprises a US$1.2bn incremental Term Loan A, a US$700m bridge facility that will be taken out by senior unsecured notes, and US$1.07bn of backstop credit facilities.

The company plans to redeem its US$250m of 7.75% senior notes due in 2019 with proceeds from the new notes offering.

Wells Fargo, *JP Morgan* and *Goldman Sachs* are providing the commitments.

Pricing on the Term Loan A is expected to open at 175bp over Libor and will be tied to leverage.

Greif also plans to draw down approximately US$200m of an US$800m revolving credit facility to help finance the transaction. The revolving credit facility will open at 140bp over Libor and also be tied to leverage.

The company said in a statement that it expects leverage will be 3.5 times following the acquisition. Greif plans to lower this level to the 2.0 times to 2.5 times range within three to four years.

Greif is currently rated Ba2 by Moody's, but the ratings agency put the company on review for downgrade following the acquisition announcement. S&P put Greif on a negative credit watch and rates the company BB.

Four banks have agreed to provide the financing to back investment firm Centerbridge Partners' US$1.4bn buyout of home healthcare company **CIVITAS SOLUTIONS**.

Goldman Sachs, *UBS*, *Royal Bank of Canada* and *KeyBanc* are offering the commitments.

The company is public but backed by private equity firm Vestar Capital Partners, which holds a majority stake in Civitas.

ULTERRA LOAN POSTPONED

The banks arranging a US$415m term loan backing private equity firm Blackstone's buyout of **ULTERRA DRILLING TECHNOLOGIES** have postponed the financing as the secondary loan market has cratered amid volatility in the equity and credit markets.

LPC's index of the most heavily traded loans ended the year at 94.64, beginning its drop in early October from a high of 98.91.

Wells Fargo was leading the Ulterra transaction along with *Barclays*.

The buyout has closed as the banks funded the transaction and will look to sell the loan at a later date.

Guidance initially circulated in the 475bp-500bp over Libor range with a 0% floor and a discount of 99.5.

Banks have had some difficulty selling loans as secondary prices have dropped.

Ulterra, formerly known as RBI-Gearheart, makes drill bits for oil and gas wells. Oil prices dropped to below US$50 per barrel after peaking above US$75 per barrel in early October.

The company is rated B2/B-.

IT services provider **CONVERGEONE** postponed a US$1.275bn credit facility backing the company's buyout by private equity firm CVC Partners until January amid turbulent market conditions.

The publicly traded company announced November 6 that CVC had agreed to buy it for US$12.50 per share. Private equity firm Clearlake Capital is ConvergeOne's majority shareholder and will tender its shares.

The deal is expected to close in the first quarter, which will give the banks arranging the debt time to sell it before being required to fund the transaction.

The financing comprises a US$925m seven-year first-lien term loan and a US$350m eight-year second-lien term loan.

Deutsche Bank is leading the first-lien portion while *UBS* is leading the second-lien portion. *Citigroup*, *Macquarie* and *Societe Generale* are joint arrangers.

Guidance on the first-lien loan opened in the 450bp over Libor range with a 0% floor and a discount of 99.5. The second-lien loan was circulating in the 825bp-850bp over Libor with a 0% floor and a discount of 98.5.

PAR PACIFIC SWEETENS TERMS

Oil and gas refinery operator **PAR PACIFIC** sweetened terms for investors on a US$250m loan it will use to buy US Oil & Refining Co.

The seven-year facility pays 675bp over Libor after guidance was initially set between 575bp-600bp over Libor.

The OID shifted to 96 from 99 with a 0% floor and a 102, 101 hard call protection.

Amortisation of the loan has changed to 5% per year, paid quarterly, compared with 1% per year.

The excess cash flow sweep remains unchanged at 50% with step-downs to 0% based on Par Pacific's net secured leverage.

The covenant-lite facility has no ticking fees for the first 30 days from allocation, before increasing to 50% of the margin between days 31-70 and then 100% of the margin after day 71.

Corporate ratings are B1/B+, while the facility is rated B1/BB-.

Goldman Sachs and *Bank of America Merrill Lynch* arranged the financing.

Fast food chicken-and-biscuit chain **BOJANGLES** increased pricing on a US$375m loan backing its buyout by investment firm Durational Capital Management and private equity firm The Jordan Company.

The financing comprises a US$300m first-lien term loan and a US$75m second-lien term loan.

Pricing on the seven-year first-lien term loan is 475bp over Libor with a 0% floor and a discount of 98 after initially circulating at 450bp-475bp with a 0% floor and an OID of 99.5.

Pricing on the eight-year second-lien is 850bp over Libor with a 0% floor and a discount of 98, unchanged from launch terms.

Citigroup led the first-lien portion with *KKR*, *KeyBank* and *Fifth Third Bank*. KKR led the second-lien loan alongside Citi, Keybank and Fifth Third.

The issuer is rated B3/B. The first-lien loan is rated B2/B, and the second-lien loan is rated Caa2/CCC+.

MGM EXTENDS US$2.25bn DEAL

Hotel and casino operator **MGM RESORTS INTERNATIONAL** has amended terms and extended the maturity on US$2.25bn in senior credit facilities.

MGM increased a Term Loan A facility to US$750m from approximately US$230m and increased a revolving credit facility to US$1.5bn from roughly US$1.25bn.

Both credit facilities will pay 225bp over Libor, 50bp tighter than previous facilities, and each tranche will mature in 2023. The original maturity was April 2021.

Bank of America Merrill Lynch, *Citigroup*, *Scotiabank*, *Barclays*, *BNP Paribas*, *Citizens Bank*, *Credit Agricole*, *Deutsche Bank*, *Fifth Third Bank*, *JP Morgan*, *SunTrust*, *SMBC*, *Morgan Stanley* and *Capital One* committed to the facilities. BAML was also the administrative agent on the transaction.

Proceeds will refinance existing debt, fund recently announced transactions and pay for general corporate purposes.

The company said it intends to achieve a consolidated net leverage ratio of three to four times by the end of 2020.

MGM Resorts International operates a portfolio of destination resort brands, including Bellagio, MGM Grand, Mandalay Bay and The Mirage.

Oil storage terminal and refinery operator **LIMETREE BAY TERMINALS** has received a US$700m Term Loan B that will help restart operations at a refinery in the US Virgin Islands.

The seven-year facility pays 600bp over Libor.

Goldman Sachs and *Barclays* arranged the financing.

The Term Loan B was part of a US$1.25bn package that included a US$550m preferred equity issuance that was led by accounts managed by EIG Global Energy Partners and included accounts affiliated with BlackRock and Barclays.

Private equity firm ArcLight Capital Partners also committed common equity to Limetree Bay. ArcLight is also a sponsor in the refinery alongside Freepoint Commodities and an unnamed sovereign wealth fund.

Limetree Bay is restarting the refinery in conjunction with tolling, supply and offtake agreements the company has with BP Products North America. The asset has the capacity to process 650,000 barrels of oil per day, storage capacity of roughly 34m barrels and a deepwater sea port.

JOSTENS TAKES MORE AFTER SWEETENING

Champ Acquisition Corp increased the acquisition financing backing its purchase of memorabilia manufacturer **JOSTENS** to US$925m from US$900m and sweetened pricing before allocating the deal prior to Christmas.

The buyer upsized the first-lien seven-year term loan to US$775m from US$750m. The deal also includes a US$150m eight-year second-lien term loan.

Bank of America Merrill Lynch led alongside *Deutsche Bank*, *BMO*, *Goldman Sachs* and *Stifel*.

Pricing on the first-lien loan widened to 550bp over Libor with a 0% floor and a discount of 97 from 475bp over Libor with a 0% floor and a discount of 99.

US LEVERAGED LOANS

BOOKRUNNERS: 1/1/2018–31/12/2018

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	BAML	693	142,785.71	10.5
2	JP Morgan	636	134,371.63	9.8
3	Wells Fargo	485	115,818.82	8.5
4	Barclays	333	75,698.22	5.5
5	Credit Suisse	310	69,257.51	5.1
6	Goldman Sachs	318	68,466.17	5.0
7	Citigroup	300	65,584.32	4.8
8	Deutsche Bank	285	59,056.34	4.3
9	RBC	263	49,000.92	3.6
10	Morgan Stanley	206	43,892.30	3.2
	Total	**2,520**	**1,365,110.67**	

Excluding Project Finance.

Source: Refinitiv SDC code: P2

Investors pull more than US$14bn from loan funds

US Volatility prompts investors to flee leveraged loans

Investors pulled more than US$14bn out of loan mutual funds in the fourth quarter, at the time of publishing, according to Lipper.

As data from funds reporting monthly will be added to this figure, fund flows may end up negative for 2018. So far, the outflows represent an 8% drop from the US$175bn September peak in loan fund assets under management.

A record US$3.5bn was pulled in the week ending December 26, helping to completely erase nine months of positive inflows, leading to an annual outflow of US$1.4bn from the funds in 2018, the first annual outflow since 2015.

Retail investors have been fleeing leveraged loans in the midst of volatility throughout equity and credit markets.

The Federal Reserve raised rates on December 19, for the ninth time in the past three years, but indicated that this pace may slow in 2019. The US leveraged loan market is pitched as a hedge to rising interest rates because the debt pays holders a coupon plus the London interbank offered rate. As rates rise, so do distributions, so a slower rate hike forecast may deter some investors.

The Securities and Exchange Commission warned about slow loan settlement times when it released rules to improve the liquidity risk management of open-end mutual funds and exchange-traded funds, which are popular investments in retirement savings accounts. Fed Governor Lael Brainard in December also raised concerns about loan mutual funds meeting redemption requests.

Amid concerns about open-end fund liquidity, managers have turned to closed-end funds that do not have daily redemption requirements. Term trusts, which have a set maturity, and interval funds, which make periodic repurchase offers to shareholders - generally every three, six or 12 months - and that invest not just in loans but also in CLOs, have been popular choices.

Asset manager CIFC partnered with City National Rochdale, a unit of City National Bank, for a closed-end interval fund that will invest in CLOs, the firms announced prior to Christmas.

These funds can allow managers to target retail investors to broaden their buyer base, generate higher returns by investing in riskier assets without the worry of daily redemptions, and also sidestep the SEC liquidity rules.

The funds are not immune to the markets, with the average senior loan closed-end fund trading at about a 12.4% discount to its net asset value. The last time it was trading around that level was in late 2015 and early 2016, according to Jeff Margolin, a closed-end fund analyst at First Trust. The discount, he says, may offer an investment opportunity.

"There's a lot of value in closed-end funds," Margolin said. "If an investor has the macro view that the US economy next year is not going to enter a recession, and it will grow at 2%-3%, this is a good time to take advantage of a double-digit discount to net asset value to buy senior loan funds."

Kristen Haunss

Pricing on the second-lien loan jumped to 950bp over Libor with a 0% floor and a discount of 96 from 875bp over Libor with a 0% floor and a discount of 98.

The first-lien loan includes soft call protection of 101 for a year while the second-lien loan will have hard call protection of 102. The deal includes a 50bp most favoured nations clause that will be in place for the life of the loan.

The company moved its revolving credit facility to be at the same level as the first-lien loan as opposed to having super priority.

CALLAWAY GOLF widened pricing on a US$480m loan that backs its acquisition of clothing brand Jack Wolfskin.

The company set pricing at 450bp over Libor from initial talk of 400bp-425bp. A 0% floor was unchanged, while the OID is 98, from original talk of 99.

Soft call protection of 101 was extended to 12 months from six months and MFN protection of 50bp was extended for the life of the loan from the original proposal of six months.

BAML and *JP Morgan* arranged the financing.

There are Ba3/BB- corporate family and first-lien ratings.

Real estate and transportation company **FLORIDA EAST COAST INDUSTRIES** agreed a US$200m Term Loan B.

The three-year loan pays 650bp over Libor with a 0% floor, an OID of 98 and features 102, 101 and par hard call protection.

The loan amortises 1% per year and includes a maximum debt to capitalisation financial covenant.

Proceeds will repay existing debt, redeem preferred stock and go towards general corporate purposes.

Morgan Stanley was the administrative agent and sole bookrunner on the transaction.

Canadian beauty and personal care products maker **KNOWLTON DEVELOPMENT** revised the OID before allocating a US$600m facility to back its acquisition by private equity firm Cornell Capital.

The facility priced at 425bp over Libor, in line with revised guidance, with a 0% floor a 101 soft call for 12 months. The OID, however, was changed to 98 from 99.

The deal comprises a US$525m seven-year first-lien term loan and a US$75m five-year revolving credit facility.

UBS arranged the financing with *Guggenheim* and *Jefferies*.

EUROPE/MIDDLE EAST/ AFRICA

VUE ALLOCATES €114m BUYOUT LOAN

UK cinema chain **VUE INTERNATIONAL** has placed a €114m loan used to finance its acquisition of German peer CineStar, two weeks after pulling a £833m-equivalent debt financing.

The loan priced at 525bp over Euribor with a 0% floor. The loan matures in July 2023 and ranks alongside the company's existing €120m senior secured loan agreed in 2016.

Vue said it will draw on the loan following the completion of the acquisition.

In early December, Vue scrapped a £833m-equivalent financing comprising of a €480m Term Loan B, a €114m delayed-drawn facility and a £300m TLB facility citing "unattractive market conditions".

The euro facilities were launched at a range of 425bp-450bp over Euribor, while a sterling tranche was guided at 500bp-525bp over Libor before the deal was pulled.

Vue had eyed revamping its capital structure in addition to securing debt financing for its €130m acquisition of CineStar. The company has €360m and £300m in senior secured notes that are due to mature in 2020 outstanding.

ENERMECH WRAPS BUYOUT LOAN

Engineering services firm **ENERMECH** has allocated the loan backing its buyout by Carlyle.

The deal compromises a £60m five-year revolving credit facility and a £200m six-year Term Loan B, which priced at 600bp over Libor with a 0% floor and a 99 OID. It includes 101 soft call protection for 12 months.

The revolving credit facility priced at 475bp over Libor with a 0% floor.

Proceeds will be used to finance the acquisition of EnerMech by Carlyle International Energy Partners, related fees and expenses. CIEP is a US$2.5bn fund that invests in oil and gas sector outside North America.

Credit Suisse, *DNB*, *HSBC*, *Lloyds* and *RBC Capital Markets* are bookrunners and mandated lead arrangers, while Credit Suisse is admin agent.

Carlyle agreed in October to acquire the Aberdeen-headquartered EnerMech, a company providing asset support services to energy, infrastructure and industrial sectors, from Lime Rock Partners.

EnerMech said earlier it expected revenues in 2018 would increase to £430m with Ebitda in the region of £59m.

TILNEY WRAPS £335m TLB

UK wealth management services provider **TILNEY** allocated a £335m Term Loan B at the higher end of pricing guidance.

The seven-year TLB allocated at 500bp over Libor from initial guidance of 475bp-500bp.

The firm also widened the OID to 97, outside the initial range of 99-99.5. The loan has a 0% floor and 101 soft call protection for six months.

A six-year £65m pre-placed Term Loan A priced at 375bp over Libor and was issued at par. A £25m six-year pre-placed revolving credit facility was included as part of the overall financing package.

Proceeds were used to refinance existing debt facilities, for general corporate purposes and to cover related expenses.

Citi, *Goldman Sachs* and *HSBC* were physical bookrunners and mandated lead arrangers on the deal. *Investec*, *NatWest Markets* and *Nomura* were mandated lead arrangers.

ASIA-PACIFIC

KKR LOWERS MYOB BUYOUT OFFER

KKR & CO has slashed its bid for Australian accounting software maker **MYOB GROUP**, disappointing lenders who had hoped for a sizeable event-driven loan to fund the previous A$1.8bn (US$1.3bn) offer.

In a surprise announcement on December 20, MYOB said KKR had revised the offer price to A$3.40 per share from A$3.77. After initially saying it could not support the marked-down A$1.6bn offer, MYOB said on December 24 it would in fact back it.

"We believe it is in the best interests of shareholders to put and recommend this transaction to shareholders having regard to market uncertainty and the longer-term nature of the strategic growth plan," said chairman Justin Milne.

KKR already owns 20% of the target but would vote in favour of any higher offer that MYOB can find, Reuters reported, citing MYOB.

According to sources, while findings from due diligence were a factor in the downward revision of the offer price, other factors also played an important part. The fall in the local share market, including a drop in technology shares since the last offer was made in early November, had influenced KKR's decision, they said. In particular, the share price of MYOB's nearest competitor Xero had fallen around 20% since October.

MYOB shares traded as high as A$3.75 in December 2017, but since then have hovered in a A$3.00–A$3.20 range and were trading at A$2.98 before the KKR proposal emerged.

Macquarie Capital is advising KKR on the deal.

I SQUARED SIGNS HGC A&E

I Squared Capital has closed a HK$7.9264bn (US$1.02bn) amend-and-extend exercise for the five-year leveraged buyout facility used to buy **HUTCHISON GLOBAL COMMUNICATIONS** with 26 banks joining the facility.

The deal has a HK$3.318bn term loan (tranche A), a HK$3.491bn loan (tranche B), a HK$1bn new-money tranche C, and a HK$117m revolving credit facility.

Credit Agricole CIB is the sole mandated lead arranger and bookrunner of the A&E exercise and new-money tranche.

It brought 24 existing lenders into tranches A and B, including *Sumitomo Mitsui Trust Bank*, which had joined the 2017 facility via the secondary market. Some banks rolled over their existing allocations, while others increased their commitments.

Eight banks from the HK$7.137bn deal signed in September 2017 have dropped out of tranches A and B – *Bank of China (Hong Kong), China Merchants Bank, China Minsheng Banking Corp, ICICI Bank, Korea Development Bank, MUFG, Industrial & Commercial Bank of China (Asia)* and *Wing Lung Bank*.

Credit Agricole, new lenders *Aozora Asia Pacific Finance* and *Mega International Commercial Bank*, and existing lenders *Bank of Communications, Bank SinoPac* and *CTBC Bank* provided the new-money portion.

Credit Agricole, *Credit Suisse* and *Deutsche Bank*, which were the MLABs in 2017, remain lenders of the revolver and their allotments are unchanged.

The full list of lenders is: *Bank of Communications*, *First Commercial Bank*, *Nanyang Commercial Bank*, *Bank SinoPac*, *Credit Suisse*, *CTBC Bank*, *Fubon Bank*, *Cathay United*, *Deutsche Bank*, *Taipei Fubon Commercial Bank*, *Sumitomo Mitsui Trust Bank*, *Bank of East Asia*, *Shinhan Bank*, *Intesa Sanpaolo*, *SMBC*, *Yuanta Commercial Bank*, *BNP Paribas*, *Chang Hwa Commercial Bank*, *E. Sun Commercial Bank*, *ING*, *Taishin International Bank*, *Woori Bank Hong Kong branch*, *Woori Global Markets Asia*, *Kookmin Bank*, *Mega International Commercial Bank* and *Aozora Asia Pacific Finance*.

The borrowers are **ASIA CUBE GLOBAL COMMUNICATIONS** for tranche A, and Asia Cube, **HGC GLOBAL COMMUNICATIONS INVESTMENT HOLDING** and Hutchison Global Communications for tranches B and C. Asia Cube, a fully owned subsidiary of a fund managed by I Squared Capital, bought HGC Global Communications, which held Hutchison Global Communications, for HK$14.497bn in October 2017.

The guarantors of the entire financing are Asia Cube, HGC Global Communications, Hutchison Global Communications, Hutchison Global Communications Investments, Hazelwood Green, HGC GlobalCentre and Keen Clever Holdings.

EMEA SPONSORED LOAN BOOKRUNNERS
BOOKRUNNERS: 1/1/2018–31/12/2018

Europe, Middle East, Africa

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Natixis	35	6,543.78	7.4
2	JP Morgan	28	6,449.82	7.3
3	BNP Paribas	36	6,352.91	7.1
4	Deutsche Bank	30	6,217.98	7.0
5	Goldman Sachs	28	5,902.86	6.6
6	Credit Agricole	39	5,636.97	6.3
7	SG	26	4,193.93	4.7
8	Barclays	21	3,932.13	4.4
9	HSBC	20	3,798.35	4.3
10	RBC	17	3,103.84	3.5
	Total	**149**	**88,920.72**	

Excluding project finance.

Source: Refinitiv SDC code: P13

EUROPEAN LEVERAGED LOANS
BOOKRUNNERS: 1/1/2018–31/12/2018

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	BNP Paribas	75	15,028.99	8.6
2	Deutsche Bank	50	11,280.82	6.5
3	Credit Agricole	63	11,122.58	6.4
4	JP Morgan	41	10,577.18	6.1
5	Natixis	46	9,041.90	5.2
6	Goldman Sachs	41	8,981.55	5.1
7	HSBC	42	8,692.09	5.0
8	SG	43	7,633.83	4.4
9	Citigroup	33	7,504.39	4.3
10	UniCredit	33	6,655.05	3.8
	Total	**267**	**174,699.70**	

Excluding project finance. Western Europe only included.

Source: Refinitiv SDC code: P10

RESTRUCTURING

UNITED STATES

FULLBEAUTY REACHES DEAL WITH CREDITORS

Plus-size retailer FULLBEAUTY BRANDS plans to file for Chapter 11 bankruptcy toward the end of this month after reaching a restructuring deal with its debt and equity holders.

The agreement will allow the company to continue operating normally, including providing sales and customer services.

The company operates in a retail segment that has fallen out of favour among credit and equity investors due to competition from online retailers, such as Amazon, and large discount chains including Walmart and Kohl's.

The reorganisation will eliminate approximately US$900m of debt. The company's equity sponsors, Apax Partners and Charlesbank Capital Partners, have agreed to the proposed transaction. Along with all of the company's first-in, last-out term loan, more than 99% of the first-lien term loan lenders and more than 95% of the second-lien term loan lenders have also agreed to the restructuring.

Some of the company's existing lenders will provide US$30m of liquidity through a new term loan.

FULLBEAUTY said it expects to emerge from bankruptcy shortly after filing and that it plans to file around January 24.

The retailer missed an interest payment on its second-lien term loan in November.

The issuer struggled with its debt when it originally went to the loan market to raise US$1.165bn to back its October 2015 buyout by Apax.

The group of arranging banks, which included JP Morgan, Jefferies, Goldman Sachs and Deutsche Bank, was forced to sell a US$820m first-lien loan and a US$345m second-lien loan at steep discounts.

The first-lien loan priced at 475bp over Libor with a discount of 93 while the second-lien loan priced at 900bp over Libor with a discount of 87. In late November, the first-lien loan was trading at 32 while the second-lien loan had a bid-ask spread of 3.5/6.5.

CHAIRMAN BIDS FOR SEARS

SEARS HOLDINGS CORP Chairman Eddie Lampert submitted a US$4.4bn takeover bid for the bankrupt US retailer, representing its only chance of escaping liquidation.

Lampert's bid is backed in part by US$1.3bn in financing from three financial institutions. It would preserve about 425 stores that Sears has yet to close, and secure the jobs of up to 50,000 workers out of the 68,000 employed by the retailer.

An affiliate of Lampert's hedge fund ESL Investments Inc – Transform Holdco LLC – submitted the bid.

The financing comes from Sears' existing lenders Bank of America and Citigroup, as well as Royal Bank of Canada, which was not previously a lender, which together agreed to provide a US$950m asset-based loan and a US$350m revolving credit.

Some of Lampert's bid relies on US$1.8bn of Sears debt that ESL already holds and plans to forgive to back the offer. The bid also includes about US$400m in financing from non-bank lenders.

The bid contemplates assuming protection agreements Sears has previously sold to reassure customers who have bought appliances, televisions, lawn tractors and other big-ticket items.

Sears will now evaluate the bid to determine whether it is viable, and there remains a possibility the company could reject it.

A US bankruptcy court judge must approve any sale of Sears. The judge will weigh the opinions of other stakeholders, including unsecured creditors who have argued they could recover more of their investment if the department store operator winds down.

Without the financing or another buyer, Sears faces the prospect of closing its doors for good and putting roughly 68,000 people out of work.

The 125-year-old retailer filed for bankruptcy on October 15 and developed plans to restructure around the sale of 500 stores and businesses including Kenmore, DieHard and the company's home services division. Only Lampert's ESL offered to buy the entire company.

The only other bids Sears has received are from suitors interested in pieces of the company and liquidators prepared to run going-out-of-business sales at stores and shut down the retailer.

MERCURIA BIDS FOR AEGEAN MARINE

MERCURIA ENERGY GROUP submitted a counter-offer to buy AEGEAN MARINE PETROLEUM NETWORK on December 17, after Oaktree Capital Management and Hartree Partners submitted a bid to buy the fuel supplier out of its Chapter 11 restructuring process.

The commodities trader, which provided the original stalking horse bid to buy Aegean Marine out of bankruptcy in November, provided an improved proposal for Aegean's unsecured creditors and also received support from a portion of the company's creditors.

Mercuria's final proposal comprises a US$40m cash recovery and aims to give 100% of its litigation claim proceeds to Aegean Marine's unsecured creditors. Mercuria's improved offer also does not include a break-up fee or a prepayment premium.

Asset manager Oaktree Capital and commodities firm Hartree Partners' proposal from December 14 included a US$30m cash recovery and sought to provide unsecured creditors with 75% of proceeds from litigation claims. The pair agreed to withdraw from the bidding process for Aegean Marine.

Mercuria Energy received court approval in November to provide Aegean Marine with a US$532m DIP package and act as a stalking horse bidder for the company with a bid valued at US$681m.

Aegean Marine's unsecured creditors, however, objected to the stalking horse bid, which would have only provided a cash recovery of US$15m.

Aegean Marine, which is looking to rebound from a position of illiquidity and fraudulent accounting allegations, filed for Chapter 11 bankruptcy protection on November 6.

EUROPE/MIDDLE EAST/AFRICA

AL JABER AGREES DEBT DEAL

Abu Dhabi-based AL JABER GROUP has agreed restructuring terms for Dh5.9bn (US$1.61bn) in debt, potentially ending a long-running dispute with its creditors.

Under the deal likely to be implemented by the end of March, Al Jaber will reduce debt throught asset sales and a discounted debt buyback mechanism. It will also appoint a new board.

Al Jaber, best known as a contractor but with interests across a range of sectors, has struggled since a construction downturn in the UAE after the global financial crisis.

The company began talks with creditors in 2011 after building up debt to expand beyond construction work.

Al Jaber agreed in December to the main terms of a new restructuring plan with a group of creditors including Abu Dhabi banks and some hedge funds.

The company agreed to sell operating companies, some of its investment portfolio and shareholder assets such as the Shangri-La hotels in Dubai and Abu Dhabi.

It will use Dh1.3bn of group net asset sale proceeds and an expected Dh750m of

shareholders' net asset sale proceeds to repay debt through a discounted debt buyback mechanism.

The company has also agreed to name a new board with two independent members, a chief restructuring officer and a member of the Al Jaber family as chairman.

Creditors will extend the term of the Dh5.9bn loan, which matured last March, by eight years, setting a final maturity at the end of 2026, with a two-year grace period on interest payments.

Interest will be cut to 250bp over Libor from 400bp.

Lenders will provide a Dh1.5bn syndicated bonding facility, a sort of revolving loan that will become available in tranches as debt is repaid.

The deal follows an earlier US$4.5bn debt restructuring in June 2014. Al Jaber missed a debt repayment in March 2016.

STEINHOFF UNITS AGREE CVAS

South African retailer **STEINHOFF INTERNATIONAL** announced before Christmas that creditors to both Steinhoff Europe (SEAG) and Steinhoff Finance Holding (SFHG) had agreed company voluntary arrangements.

Following a meeting in December, the SEAG CVA was approved by around 94% of those creditors that voted, and the SFHG CVA was approved by around 99% of those creditors who voted.

"The agreements reached today with creditors of the group's key finance companies are key to bringing in a new period of financial stability for the group and enabling management to focus on maximising the potential of the group's various businesses," said Louis du Preez, commercial director and chief executive officer designate.

Steinhoff is undergoing a restructuring of its €10.7bn of debt following the discovery of accounting irregularities last December that triggered an 85% share price slide in the group.

ASIA-PACIFIC

RETAIL FOOD GETS ANOTHER WAIVER

Fast food franchise owner **RETAIL FOOD GROUP** has obtained another waiver for testing of financial covenants from lenders, having already renegotiated the terms of its debt twice in a year.

In a December statement, RFG said *National Australia Bank* and *Westpac* had agreed to waive testing of financial covenants for the period ending December 31. The next such testing would be on March 31 2019.

As recently as August 31, the company restructured its debt with the two lenders, reducing its total senior debt facilities to A$285m (US$200m) from A$309m and bringing forward the maturity to October 31 2019 from January and December 2020. Significantly, the operating leverage ratio was raised to 5.0 times to December 2018, from 3.0 times.

For the period to March 31 2019, the ratio will drop to 4.5 times, and then further down to 4.0 times from April 1 2019.

Previously the ratio was 2.5 times from January 1 2019. The interest cover ratio was reduced to 3.0 times from 4.0 times. Other changes included removal of mandatory amortisation of A$12.5m by March 2 2019.

The company had previously won a waiver for testing for the period ending June 30.

Before that, RFG had negotiated its banking covenants, including an increase in the debt-to-Ebitda ratio to 3.0 times from 2.5 times to December 2018, and mandatory amortisation by March 2 2019.

The August restructuring meant that the company's debt facilities were classified as current in the FY18 financial statements, and it warned of a risk of breaching financial covenants within the next 12 months.

RFG said it remained focused on reducing balance sheet leverage, and was assessing a range of options including potential asset sales and alternative funding such as recapitalisation.

FRONT STORY RIGHTS ISSUE

Calm heads prevail on Kier

Five underwriters quickly offload stick following construction group's £264m fundraising

Five banks were left holding 17.3% of struggling UK construction and engineering business KIER GROUP in December, after shareholders subscribed to just 37.66% of its fully-underwritten £264m rights issue. Yet the stick was dealt with swiftly in an accelerated bookbuild on December 20, the same day as the result was published.

The low take-up in the rights issue was inevitable as shares traded below the strike price for much of the subscription period. Joint bookrunners *Citigroup, HSBC, Numis, Peel Hunt* and *Santander* were left with 17.3% of Kier, having previously sub-underwritten part of the deal to institutional investors.

Of the 64.5m new shares issued on a 33-for-50 basis, shareholders subscribed to 24.3m. Existing shareholders representing 32% of the share capital indicated at launch that they would subscribe for their rights.

Banks had to offer the rump on December 20 but with shares trading below it could not proceed. Sub-underwriting agreements amounting to 12.08m shares with institutional investors means the banks were left with 28.1m shares on their books.

Some soundings with accounts known to be warm to the opportunity then showed where interest in the stick was, ahead of launch later that day led by Numis and Peel Hunt. Price guidance was above the then trading level and shares immediately shot up in reaction.

Initial price guidance of 360p-375p per share was given at the 1pm launch and compares with a rights issue price of 409p per share. Shares were trading around 356p just ahead of launch but immediately traded up and ended the day at 391.2p.

But orders came in with the condition the whole position was cleared. In the event the whole deal got covered and the five banks were out in a matter of hours. Proceeds from the ABB were £101.2m, versus the £114.9m underwriters paid for the shares.

The banks earned a 2.2% base fee, with a 0.3% potential incentive fee.

The stick was smaller than it could have been thanks to sub-underwriting, which bankers involved said was not the usual free money and were quality accounts. Some of those also followed through into the stick placing. Nonetheless it was the largest stick from a UK rights issue in years and came at a difficult time.

The importance of dealing with the stick was shown by the 10% intraday fall in underwriter Numis's share price, which was reduced to a 4.7% fall by the close.

Kier's share price plunged 48.8% between November 29, the day before the capital increase was announced, and December 19, when subscription for the new shares closed.

Shares have since recovered ground and closed on January 4 at 431.4p.

Rothschild advised the company.

Kier raised the cash to reinforce its position in growing markets, speed up debt reduction and strengthen its balance sheet amid a tighter credit environment and stricter tender pre-qualification requirements.

The UK outsourcing sector has struggled this year, after the collapse of government contractor Carillion and Interserve's cry for a rescue deal have left investors reeling.

Lucy Raitano

CSRC IPO approvals down 75% in 2018

Just 102 floats get nod compared with 401 approvals in 2017

The China Securities Regulatory Commission gave written approval to just 102 IPOs in 2018, only a quarter of the 401 approvals it granted in 2017.

At its final meeting of the year on December 28, the regulator gave the green light to three companies, planning to raise a combined Rmb3.78bn (US$550.4m).

MING YANG SMART ENERGY plans to offer not more than 275.9m A-shares, or about 20% of its enlarged capital, in a Shanghai IPO to raise around Rmb2.5bn.

NINGBO WATER METER is targeting Rmb664.2m by offering not more than 39.09m shares for a 25% free-float. *Guoyuan Securities* is the sponsor and main bookrunner.

ANSHAN HIFICHEM will raise around Rmb620m from a Shenzhen ChiNext IPO. The dye producer will offer not more than 26.7m shares, or about 25% of its enlarged capital, after filing for a ChiNext IPO in 2012 but revoking its application in 2013. The company has been listed on the National Equities Exchange and Quotation since August 2016. *Minsheng Securities* is the sponsor.

At the penultimate CSRC meeting of the year, CHINA MASTER LOGISTICS and SHANGHAI YONGGUAN ADHESIVE PRODUCTS were cleared for respective Shanghai IPOs of about Rmb919m and Rmb398m.

China Master Logistics plans to offer not more than 67m A-shares, or about 25% of stock. Proceeds will be used to purchase coastal transport and dual-use ships, bulk carriers, and large-sized transport equipment, and for construction of a cross-border e-commerce logistics distribution centre (Tianjin Dongjiang Yard) and logistics information. *Citic Securities* is the sponsor and bookrunner.

Shanghai Yongguan aims to offer up to 42m A-shares, or about 25% of its enlarged capital. *Dongxing Securities* is the sponsor and bookrunner. Proceeds will be used for construction of three new production lines and the reconstruction of the R&D headquarters.

The two companies still need written CSRC approvals.

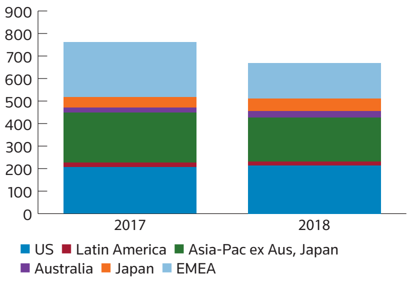
However, SUZHOU FUSHILAI PHARMACEUTICAL was denied CSRC approval for a proposed Shanghai IPO of about Rmb525m. *Chinalin Securities* is the sponsor and bookrunner.

Fiona Lau

YEAR IN NUMBERS

US$695bn

■ GLOBAL EQUITY AND EQUITY-RELATED VOLUME DROPPED 12% IN 2018, LARGELY AS A RESULT OF FALLING ACTIVITY IN EMEA. VOLUME IN EMEA FELL 35% TO US$158.9bn, FROM US$244.8bn IN 2017, AS BANK RECAPITALISATION RIGHTS ISSUES WERE LARGELY ABSENT



0.3%

■ COMPANIES THAT WENT PUBLIC IN THE US IN 2018 DELIVERED AN AVERAGE RETURN OF JUST 0.3% AS OF JANUARY 2, INCLUDING ALL US$50m-PLUS IPOs AND EXCLUDING SPACs. OF THE NEARLY 160 COMPANIES IN THIS GROUP, 97 WERE TRADING BELOW THEIR OFFERING PRICES, INCLUDING 49 BY 30% OR MORE. THE S&P 500 FELL 6.2% IN THE SAME PERIOD

↓9.7%

■ THE THREE BIG IPOs OF DECEMBER 2018 HAD DELIVERED AN AGGREGATE 9.7% LOSS (US$2.2bn) AS OF JANUARY 2. TENCENT MUSIC ENTERTAINMENT WAS TRADING FLAT TO ITS US$13 IPO PRICE, BUT SOFTBANK CORP WAS 9.5% BELOW ITS US$21.1bn IPO PRICING AND MODERNA DOWN A THIRD FROM ITS US$604m IPO

↑11%, ↓9.2%

■ GLOBAL IPO VOLUMES IN 2018 ROSE BY 11% TO JUST OVER US$200bn, YET TOTAL FEES FELL BY 9.2%. A PICK-UP IN US IPO ACTIVITY HELPED ENSURE THE FIVE MAJOR US BANKS – MORGAN STANLEY, GOLDMAN SACHS, BANK OF AMERICA MERRILL LYNCH, JP MORGAN AND CITIGROUP – TOPPED THE GLOBAL IPO TABLE

First

■ GOLDMAN SACHS WAS BACK AT THE TOP OF THE GLOBAL ECM LEAGUE TABLE BY BOOKRUNNER CREDIT FOR THE FIRST TIME SINCE 2015, THOUGH JP MORGAN WAS TOP BY IMPUTED FEES. MORGAN STANLEY RANKED SECOND ON BOTH METRICS

ASIA-PACIFIC

AUSTRALIA

CHARTER HALL LONG WALE SEALS RIGHTS

CHARTER HALL LONG WALE REIT has completed a one-for-8.1 non-renounceable rights offer to raise A$125m (US$88m).

The retail component bagged A$44m with 60% take-up. Eligible retail shareholders took up about A$26m, and the remaining shares were allocated to institutions which sub-underwrote the retail offer.

The REIT launched the rights offer at an issue price of A$4.05 a share, representing a 4.5% discount to the pre-deal close of A$4.24. The institutional portion earlier raised A$81m.

Proceeds will help finance the acquisition of 27 agri-logistics properties for a total cost of A$207m. The REIT will raise debt for the remaining amount.

UBS was the underwriter of the deal.

YANCOAL COMPLETES RETAIL RIGHTS OFFER

YANCOAL AUSTRALIA, which is listed in Australia and Hong Kong, has raised HK$13.2m from a 0.05387-for-one non-underwritten retail entitlement offer, following the completion of its HK$1.4bn (US$178m) HKEX listing earlier this month.

About 7.7m shares could not be cleared at the offer price of HK$23.48, so no retail entitlements were sold in the shortfall bookbuild, according to a company statement.

Three major shareholders with a combined 87.8% stake in the coal miner – Yanzhou Coal Mining, China Shandong Investment and Cinda International – have renounced their entitlements and made shares available to new investors by selling 67.67m shares in the entitlement offer.

The institutional tranche, which essentially constitutes the dual primary listing in Hong Kong, comprised 59.4m primary shares sold at the bottom of the HK$23.48–$25.84 range. The shares were listed on December 6.

The remaining rights shares, totalling HK$194m, were offered in the retail entitlement.

The company will use the proceeds from the Hong Kong listing and the entitlement offer to repay debt, raise its stake in the Moolarben coal mining joint venture in New South Wales to 85% from 81%, and for working capital.

CHINA

MAOYAN PRE-MARKETS HK IPO

Tencent-backed MAOYAN ENTERTAINMENT, China's biggest online seller of film tickets, has started pre-marketing a Hong Kong IPO of about US$300m.

The company was looking to raise US$800m–$1bn from the float at the beginning of 2018, IFR reported earlier, but people involved said the issuer is now looking to sell fewer shares at a lower valuation.

Bank of America Merrill Lynch and *Morgan Stanley* are joint sponsors for the deal.

Maoyan operates the popular movie ticketing apps Maoyan and Gewara and also distributes films.

VIVA BIOTECH PRE-MARKETS HK IPO

VIVA BIOTECH has started pre-marketing a Hong Kong IPO of US$200m–$300m. The company, which provides drug discovery or incubation services to biotech startups, has not yet decided when to open the books for the deal, said people involved.

According to a regulatory filing, the company offers services that include research, hit screening, lead optimisation and drug candidate determination. It also makes strategic equity investments in potential biotechnology startups.

As of April last year, it had nearly 300 early-stage biotechnology and pharmaceutical clients worldwide, covering the development of 1,000 drug targets and over 7,000 protein structures. Proceeds will be used to expand the company's business, to add more Chinese biotechnology startups to its portfolio and beef up its commercial and research capabilities in the biologics and chemistry contract manufacturing organisation sector.

CICC is the sole sponsor.

JUNSHI BIOSCIENCES PRICES AT BOTTOM

SHANGHAI JUNSHI BIOSCIENCES has raised HK$3.08bn (US$384m) from a Hong Kong IPO after pricing it at the bottom of the indicative price range.

The company sold 159m shares, or 20.9% of the enlarged share capital, at HK$19.38 each versus the HK$19.38–$20.38 range.

Seven cornerstone investors have taken part in the deal for a combined US$242m. There is a 15% greenshoe.

The company, founded in 2012, has developed 13 biologic drug candidates, five of which are at the clinical stage and eight in pre-clinical research. The candidates comprise seven immune-oncology drugs, two drugs for metabolic diseases, three for

inflammatory diseases and one to treat neurologic diseases.

CICC was sole sponsor.

THREE ON THE ROAD AS SICHUAN ENERGY PRICES

WEIMOB has started bookbuilding for a Hong Kong IPO of up to HK$1.06bn. The company is selling 301.7m shares, or 15% of the enlarged share capital, in an indicative price range of HK$2.80–$3.50 each. The range represents a 2019 P/E of 18.4–23.0 and a 2020 P/E of 9.1–11.3.

Three cornerstone investors have agreed to take up a combined US$42m of the IPO shares. Shanghai Wentang has pledged for US$30m, Beyond Science US$7m and Hong Kong-listed third-party payment firm Huifu US$5m.

The deal will price on January 8 and the shares will start trading on January 15.

Weimob is a provider of cloud-based commerce, marketing and targeted marketing services on Tencent's social networking service platforms for small and medium sized businesses in China.

Tencent Holdings currently has a 3.43% stake in Weimob.

Weimob posted a loss of Rmb619.5m (US$90m) for the first six months of 2018.

Deutsche Bank and *Haitong International* are joint sponsors, joint global coordinators and joint bookrunners with *CICC*. There are six other joint bookrunners.

CHENGDU EXPRESSWAY is bookbuilding a Hong Kong IPO of up to HK$880m (US$112m). The company is selling 400m shares for a 25% free-float at a fixed price of HK$2.20 each. The price represents a 2019 P/E of 6.7 and a 2019 forecast yield of 8.1%.

Two cornerstone investors are taking up a combined 37.5% of the float. Xin Yue Company has pledged to take up 100m shares and Chengdu Financial Holding Group 50m shares. There is a 15% greenshoe.

Books will close on January 7 and pricing is slated for the same day. The shares will start trading on January 15.

Chengdu Expressway operates and develops expressways in and around Chengdu in Sichuan province. It posted a net profit of Rmb368m (US$53m) in 2017, up 13.4% from a year earlier.

CLSA is sole sponsor.

CHINA KEPEI EDUCATION GROUP, a provider of private higher education, plans to start pre-marketing as early as this week for a Hong Kong IPO of about US$100m–$150m, according to people close to the deal.

As of September 2018, the southern China-based company had 45,118 students enrolled at the two schools it operates, namely Guangdong Polytechnic College and Zhaoqing School. The company posted a profit of Rmb166m (US$24m) for the first eight months of 2018, up 70% year on year.

The company will use the proceeds to acquire additional schools and improve existing operations. The remainder will be used to repay loans and for working capital and general corporate purposes.

Citigroup and *CCB International* are joint sponsors.

TOTAL NUMBER AND VOLUME OF EQUITY AND EQUITY-RELATED ISSUES BY COUNTRY

1/1/2018–31/12/2018

Country	Volume US$(m)	No of issues
South Africa	3,347.8	24
Israel	3,225.2	32
UAE	2,283.6	11
Saudi Arabia	1,290.4	5
Egypt	1,132.8	5
Nigeria	783.4	6
Qatar	758.7	1
Kuwait	432.7	2
Ghana	289.0	2
Mauritius	132.3	1
Oman	123.8	2
Togo	99.5	1
Morocco	84.7	2
Rwanda	67.4	1
Uganda	44.3	1
Bahrain	31.5	1
Jordan	10.0	1
Africa/Middle East	**14,137.1**	**98**
China	129,605.2	481
Japan	55,096.1	244
Australia	27,543.4	691
India	15,483.8	235
South Korea	15,398.9	167
Hong Kong	10,762.8	217
Thailand	5,533.1	28
Singapore	5,161.0	67
Philippines	4,752.6	12
Taiwan	3,366.9	138
Vietnam	3,244.1	9
Indonesia	2,009.2	52
Malaysia	1,609.7	124
New Zealand	1,250.3	17
Bangladesh	111.9	16
Macau	90.7	3
Pakistan	49.8	3
Mongolia	34.9	2
Papua New Guinea	31.8	1
Myanmar (Burma)	22.5	4
Nepal	18.7	1
Asia-Pacific	**281,177.4**	**2,512**
United States	211,686.4	889
Canada	24,760.9	456
Brazil	8,832.0	17
Mexico	2,728.7	6
Chile	2,428.1	6
Bermuda	2,395.2	13
Argentina	1,676.9	4
Colombia	1,189.7	2
Cayman Islands	138.3	2
British Virgin Is. (UK)	76.9	1
Americas	**255,913.1**	**1,396**
United Kingdom	40,464.2	358
Germany	33,710.9	79
France	10,799.2	69
Switzerland	10,438.2	36
Netherlands	7,862.1	26
Spain	5,525.6	30
Norway	4,343.7	43
Sweden	4,213.5	55
Italy	4,110.9	31
Finland	3,813.8	17
Luxembourg	2,789.7	13
Belgium	2,630.6	18
Denmark	2,543.7	15
Republic of Ireland	2,504.4	21
Guernsey	2,266.0	19
Turkey	1,368.4	4
Austria	789.0	2
Slovenia	758.8	1
Jersey	757.5	17
Poland	463.4	15
Kazakhstan	448.8	1
Cyprus	424.6	8
Isle of Man	351.5	2
Monaco	337.0	1
Iceland	314.0	1
Russian Federation	233.6	2
Estonia	173.9	1
Greece	164.4	3
Malta	103.3	2
Lithuania	68.6	2
Bulgaria	64.6	2
Portugal	44.3	2
Czech Republic	32.5	1
Croatia	7.7	1
Serbia	7.3	1
Gibraltar	0.7	1
Europe	**144,930.4**	**900**
Total	**696,158.0**	**4,908**

Source: Refinitiv

GLOBAL BLOCK TRADES AND ACCELERATED BOOKBUILDS

BOOKRUNNERS: 1/1/2018–31/12/2018

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Goldman Sachs	94	24,227.53	16.3
2	Morgan Stanley	94	20,370.48	13.7
3	Citigroup	80	16,684.47	11.2
4	JP Morgan	74	16,244.71	10.9
5	BAML	46	10,819.70	7.3
6	UBS	54	8,607.25	5.8
7	Credit Suisse	53	8,491.42	5.7
8	Barclays	44	5,632.98	3.8
9	Deutsche Bank	33	3,435.78	2.3
10	Jefferies	34	2,687.61	1.8
	Total	**642**	**148,613.54**	

Global, including all domestic and international deals

Source: Refinitiv SDC code: C2a

Power supplier **SICHUAN ENERGY INVESTMENT DEVELOPMENT** has raised HK$476m from its Hong Kong IPO after pricing 268.8m primary shares, a 25% free-float, at HK$1.77 each versus an indicative price range of HK$1.76–$2.34 each. The price gives the company a market capitalisation of US$243.1m and a forecast 2019 P/E multiple of 7.63. There is a 15% greenshoe.

Shares were flat against the IPO price on their trading debut on December 28.

Four cornerstone investors pledged a combined HK$187m of shares. *BoCom International* was sole sponsor.

FUTU AND JIAYIN FILE FOR US FLOATS

Tencent-backed online brokerage firm **FUTU HOLDINGS** has filed for a US$300m Nasdaq IPO with the US Securities and Exchange Commission.

Pre-marketing of the deal started last Friday. Books are scheduled to open in the week of January 14.

The company posted net income of HK$100m (US$12.76m) for the first nine months of 2018, versus a net loss of HK$38m over the same period in 2017.

Currently, Tencent Holdings owns a 38.2% stake in the company.

Credit Suisse, *Goldman Sachs* and *UBS* are leading the transaction.

Fintech company **JIAYIN GROUP** has filed for a Nasdaq IPO of US$57.5m. The company operates a financial marketplace in China connecting individual investors with individual borrowers. It facilitated total investment volume of Rmb19.2bn (US$2.8bn) in the nine months ended September 30 2018.

The company posted net income of Rmb449m for the first nine months of 2018, up 13.4% year on year.

Jiayin de-listed from China's National Equities Exchange and Quotations last year.

Roth Capital Partners and *Shenwan Hongyuan Securities* are leading the transaction.

METEN EDUCATION, a language training institute in China, plans to raise about US$200m from a US IPO this year, according to people close to the deal. The company is working with advisers on the proposed float.

Founded in 2006, Meten teaches mainly English in more than 120 schools in 27 Chinese cities. According to local media, Meten English raised Rmb300m (US$43.7m) in its round C financing in the third quarter of 2018. DG Capital, China Capital Investment Group and MOOC-CN Investment were the investors.

CIMC VEHICLES, CHINA TOBACCO AND EBANG FILE HK IPOs

CIMC VEHICLES, a subsidiary of Shenzhen-listed China International Marine Containers, is looking to raise about US$300m–$500m from its Hong Kong IPO, according to people with knowledge of the transaction.

The trailer maker submitted its listing application to the Stock Exchange of Hong Kong on December 27. It plans to sell 15.0%-18.2% of its share capital as well as a 15% greenshoe. CIMC Group controls 63.33% of the company.

For the six months ended June 30, CIMC Vehicles posted a profit of Rmb653.4m (US$95m), up from Rmb567.4m in the

ASIA-PACIFIC EQUITIES
BOOKRUNNERS: 1/1/2018–31/12/2018

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Morgan Stanley	93	20,628.50	8.4
2	Goldman Sachs	80	15,598.83	6.4
3	UBS	75	14,144.31	5.8
4	Citigroup	88	12,674.43	5.2
5	CICC	33	9,699.77	4.0
6	JP Morgan	51	9,370.19	3.8
7	BAML	27	9,008.39	3.7
8	Nomura	84	8,620.11	3.5
9	Sumitomo Mitsui Finl	73	8,350.03	3.4
10	Mizuho	61	7,278.59	3.0
	Total	**2,337**	**245,013.66**	

Including all domestic and international deals and rights issues

Source: Refinitiv SDC code: C4a1

ASIA-PACIFIC EQUITIES (EX-JAPAN)
BOOKRUNNERS: 1/1/2018–31/12/2018

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Morgan Stanley	66	14,424.54	7.4
2	UBS	70	13,602.92	6.9
3	Goldman Sachs	77	13,189.47	6.7
4	Citigroup	81	11,948.33	6.1
5	CICC	33	9,699.77	5.0
6	BAML	22	7,943.69	4.1
7	Citic	51	7,037.20	3.6
8	Credit Suisse	48	6,865.61	3.5
9	JP Morgan	45	6,243.46	3.2
10	China Securities Co	32	4,597.76	2.3
	Total	**2,118**	**195,750.90**	

Including all domestic and international deals and rights issues

Source: Refinitiv SDC code: C4a2

ASIA-PACIFIC IPOs
BOOKRUNNERS: 1/1/2018–31/12/2018

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Morgan Stanley	35	7,756.09	7.1
2	CICC	24	6,801.57	6.2
3	Nomura	29	5,232.62	4.8
4	Sumitomo Mitsui Finl	27	4,893.65	4.5
5	Mizuho	27	4,578.96	4.2
6	Goldman Sachs	28	4,564.83	4.2
7	Daiwa Securities	12	4,297.48	3.9
8	BAML	16	3,921.78	3.6
9	SBI Holdings	11	3,510.61	3.2
10	UBS	18	3,041.29	2.8
	Total	**903**	**109,887.82**	

Including all domestic and international deals
Proportional credit

Source: Refinitiv SDC code: C04a6

ASIA-PACIFIC SECONDARY OFFERINGS
BOOKRUNNERS: 1/1/2018–31/12/2018

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Morgan Stanley	58	12,872.41	9.5
2	UBS	57	11,103.02	8.2
3	Goldman Sachs	52	11,034.00	8.2
4	Citigroup	57	10,402.10	7.7
5	JP Morgan	29	6,636.53	4.9
6	BAML	11	5,086.61	3.8
7	Macquarie Group	24	4,470.92	3.3
8	Credit Suisse	25	4,401.14	3.3
9	Citic	23	4,237.31	3.1
10	Sumitomo Mitsui Finl	46	3,456.38	2.6
	Total	**1,432**	**135,031.67**	

Including all domestic and international deals and rights issues
Proportional credit

Source: Refinitiv SDC code: C04a6

ASIA-PACIFIC IPOs (EXCLUDING JAPAN)
BOOKRUNNERS: 1/1/2018–31/12/2018

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	CICC	24	6,801.57	8.4
2	Goldman Sachs	27	4,370.25	5.4
3	BAML	14	3,618.34	4.5
4	Morgan Stanley	28	3,361.71	4.1
5	Citic	28	2,799.89	3.5
6	UBS	16	2,772.68	3.4
7	Credit Suisse	24	2,637.60	3.3
8	China Merchants Secs	22	2,609.71	3.2
9	Huatai Securities Co	16	2,599.10	3.2
10	JP Morgan	20	2,430.21	3.0
	Total	**806**	**81,096.81**	

Including all domestic and international deals
Proportional credit

Source: Refinitiv SDC code: C04a4

ASIA-PACIFIC SECONDARY OFFERINGS (EXCLUDING JAPAN)
BOOKRUNNERS: 1/1/2018–31/12/2018

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Morgan Stanley	38	11,062.84	9.7
2	UBS	54	10,830.25	9.5
3	Citigroup	51	9,870.58	8.6
4	Goldman Sachs	50	8,819.22	7.7
5	Macquarie Group	23	4,461.91	3.9
6	BAML	8	4,325.35	3.8
7	Citic	23	4,237.31	3.7
8	Credit Suisse	24	4,228.01	3.7
9	JP Morgan	25	3,813.25	3.3
10	CICC	9	2,898.20	2.5
	Total	**1,310**	**114,559.93**	

Including all domestic and international deals and rights issues
Proportional credit

Source: Refinitiv SDC code: C04a5r

previous year. It reported annual profit of Rmb1.01bn in 2017.

CIMC Vehicles has 22 production bases and 14,784 employees, mostly in China. Overseas sales accounted for 36.5% of its revenues in the first half of the year.

Haitong is sole sponsor of the float.

CHINA TOBACCO INTERNATIONAL (HK) COMPANY, a subsidiary of China National Tobacco Corporation, filed a listing application to the Stock Exchange of Hong Kong on January 2 for a Hong Kong IPO of about US$100m–$200m, said people close to the deal.

The offshore tobacco trader sells 24 Chinese cigarettes brands to duty-free outlets and wholesalers in Thailand, Singapore, Hong Kong and Macau. CNTC, which owns 100% of the company, operates a state monopoly in China for the production, sale, import and export of tobacco products.

For the nine months ended September 30, the company posted a profit of HK$222m (US$28.3m). It reported an annual profit of HK$347.6m for 2017.

CICC and *China Merchants Securities* are working on the float.

EBANG INTERNATIONAL, a Chinese bitcoin-mining gear maker, has refiled an IPO application to the Stock Exchange of Hong Kong after its original plan to list in 2018 did not come to fruition. *Haitong International* remains the sole sponsor.

The company, which aims to raise US$1bn from the listing, first filed an application last June. However, close regulatory scrutiny of cryptocurrencies and the sharp fall in the value of bitcoin affected investor sentiment and encouraged the issuer to wait for better market conditions.

The new filing updates Ebang's financials. For the six months ended June 30, 99% of the company's revenue came from blockchain-related activities and 0.7% from telecommunications. This compares with 88.7% and 11.3%, respectively, in the same period of the previous year.

The company posted a net profit of Rmb931m for the first half of 2018, up from Rmb52m a year earlier.

Ebang is one of three bitcoin-mining equipment makers planning to go public in Hong Kong, along with Canaan and BitMain Technologies.

Hangzhou-based Canaan let its listing application of up to US$1bn lapse in November, six months after it was filed. As for BitMain, which filed in September, it is seeking an IPO of up to US$3bn.

HUISHANG BANK AND QINGDAO PORT PLAN SHANGHAI IPOs

Hong Kong-listed **HUISHANG BANK** plans to offer not more than 1.5bn new shares in a Shanghai listing. Based on the bank's December 28 close of HK$3.35, the IPO would raise up to HK$5.02bn, or Rmb4.41bn (US$562.9m).

Huishang Bank is expected to seek approval from its board and the China Securities Regulatory Commission.

The lender withdrew an application for an A-share listing earlier last year, saying further discussion was needed with directors and shareholders as well as with the securities regulator.

Hong Kong-listed **QINGDAO PORT INTERNATIONAL** conducted pricing consultations for a Rmb2bn Shanghai IPO on January 3 and 4. The company will open books for one day on January 9.

Qingdao Port has reduced the number of A-shares on offer from 671m to 454m, for a 7% free-float, in its updated prospectus.

Based on its closing price of HK$4.96 in Hong Kong last Thursday, the company could raise about Rmb2bn from its A-share offering.

Citic Securities is the sponsor of the IPO and joint bookrunner with *BOC International (China)* and *UBS Securities*.

CRSCS LEADS FILINGS FOR A-SHARE IPOs

CHINA RAILWAY SPECIAL CARGO SERVICES plans to file for an A-share IPO this year, people with direct knowledge of the plans have told IFR.

As a prelude to the float, the company kicked off a mixed-ownership transition process on December 17 when it put 20% of its shares up for sale at the Shanghai United Assets and Equity Exchange for Rmb3.15bn (US$458m).

Currently, China Railway Construction Investment Company, a unit of China Railway Corporation, holds a 91.79% stake in the cargo services company.

Three freight companies - China Railway Express, China Railway Container Transport and China Railway Special Cargo Services - are directly controlled by China Railway Corporation. The latter is "the most profitable among the three", one of the people told IFR.

It is understood that the company has yet not chosen which stock exchange to list on.

China Railway Special Cargo Services posted a net profit of Rmb438m in the nine months to September on revenues of Rmb5.66bn. Its revenue in 2017 was Rmb6.30bn and net profit was Rmb582m.

Its main business is nationwide transport services for commodity vehicles, large-sized goods and refrigerated goods.

BOC INTERNATIONAL (CHINA) has applied to the China Securities Regulatory Commission for approval of a Shanghai IPO, according to an announcement from Bank of China on December 14. The bank currently has a total share capital of 2.5bn shares, of which 37.14% is held by Bank of China. BOC International (China) plans to sell not more than 25% of its enlarged capital in the IPO.

The Chinese investment bank plans to use the proceeds to replenish working capital and to expand its business.

Guotai Junan Securities is sponsor and joint bookrunner with *Ping An Securities*.

ZHEJIANG YONGJIN METAL TECHNOLOGY has updated the draft prospectus for a Shanghai IPO of about Rmb1.18bn at the request of the China Securities Regulatory Commission. The updated filing provides more information on its customer concentration, trade customer sales model, earnings and related transactions. The company plans to offer not more than 57.7m A-shares, or about 25% of its enlarged capital.

Yongjin Metal Technology is one of the largest cold-rolled stainless steel producers in China. Proceeds will be used for the construction of ultra-thin precision stainless steel strips. *Huaxi Securities* is the sponsor and main bookrunner.

KUNSHAN RURAL COMMERCIAL BANK has filed for a Shanghai IPO with the China Securities Regulatory Commission.

In a draft prospectus, the lender said it plans to offer 1.8bn–5.4bn A-shares, or about 10%-25% of its enlarged capital, in the float.

The lender is located in Jiangsu province. Another lender from the province, Zijin Rural Commercial Bank, opened the subscription for its IPO on December 18.

Citic Securities is sponsor and joint bookrunner with *Soochow Securities*.

Banks in China have accelerated their plans to list on the A-share market, with 14 banks awaiting IPO hearings and approvals from the CSRC.

MING YANG KICKS OFF AND JIANGSU ZIJIN UPSIZES

MING YANG SMART ENERGY GROUP is conducting pricing consultations for a Rmb2.5bn (US$360m) Shanghai IPO on January 4 and 7. The price will be announced on January 10, and books will open for one day on January 11. It plans to offer not more than 275.9m A-shares for a 20% free-float.

Ming Yang Smart Energy manufactures wind turbines and manages domestic electric power companies. It aims to use the IPO proceeds to build new wind farms in the Shanxi and Guangxi provinces and for fan equipment manufacturing in Guangdong province.

Shenwan Hongyuan Financing Service is the sponsor.

JIANGSU ZIJIN RURAL COMMERCIAL BANK increased the online portion of its Rmb1.15bn Shanghai IPO after the original

online tranche was subscribed 1,544.09 times, according to an announcement.

The regional bank, based in Nanjing in Jiangsu province, was selling 366m shares at Rmb3.14 per share. Around 30% of the total, or 110m shares, was open for subscription online. The online and offline books were open for one day on December 18.

The online portion received bids for 170bn shares.

As the online book was oversubscribed more than 150 times, the company decided to activate the clawback mechanism, raising the online portion of the offer to 90% and cutting the offline portion to 10%.

No subscription figures were given for the offline portion.

The proceeds will be used to improve the bank's financial and capital strength.

China Securities is the sole sponsor of the float.

ZIJIN MINING PLANS SHARE SALE

ZIJIN MINING GROUP, China's largest gold miner, plans to sell up to Rmb8bn (US$1.16bn) of new shares in Shanghai to help finance the purchase of Canadian mining company Nevsun Resources.

The Shanghai and Hong Kong-listed company will sell 3.4bn new A-shares, or not more than 15% of its enlarged capital, through a share placement.

The placement price will not be less than the average trading price of the A-shares for the 20 trading days prior to the date of publication of the offering documents, or the average trading price of the A-shares on the trading day before the publication of the documents, whichever is lower.

The company will use the proceeds to help finance its Rmb9.36bn purchase of a 100% stake in Toronto-listed Nevsun Resources.

The Chinese mining company's shares in Shanghai and Hong Kong fell sharply on January 2, the day after it announced the proposed public issuance of A-shares and the first market day after the New Year holiday. Its A-shares fell 9.9% to Rmb3.01, their lowest level since May 2016. Its shares in Hong Kong fell 5.72% to HK$2.80 that afternoon.

GOLDWIND WINS RIGHTS ISSUE APPROVAL

The China Securities Regulatory Commission has approved Hong Kong-listed XINJIANG GOLDWIND SCIENCE & TECHNOLOGY's H-share rights issue plan.

The CSRC has authorised the wind turbine manufacturer to sell no more than 130m overseas listed foreign rights issue shares. Based on the company's close on December 28 of HK$9.99 a share, the deal could raise up to HK$1.29bn (US$165m).

The issue is part of a proposed rights issue of A-shares and H-shares to raise up to a combined Rmb5bn (US$792m) on a yet to be finalised two-for-10 basis. Of the planned 711m shares on offer, 81.7% will be A-shares and 18.3% H-shares. The company is also listed in Shenzhen.

Proceeds will be used to fund two wind farm projects, replenish working capital and repay debt.

CHINESE COMPANIES SEEK IPOs

The China Securities Regulatory Committee released preliminary prospectuses for 10 companies planning Shanghai IPOs of a combined Rmb12.7bn (US$1.9bn) on December 28, the last trading day of 2018.

JINKO POWER TECHNOLOGY and CHONGQING SANFENG ENVIRONMENT GROUPeach aim to raise Rmb2.5bn from their floats.

Jinko Power Technology, spun off from NYSE-listed JinkoSolar Holding, plans to sell no more than 241.2m A-shares, or 10% of its enlarged share capital.

CHONGQING SANFENG ENVIRONMENT GROUP, a provincial state-owned enterprise specialising in waste incineration power generation, plans to offer 144m-433m A-shares, or a 10%-25% free-float.

The other listing candidates are CHANGZHOU KAIDI ELECTRICAL(Rmb1.5bn), SHANGHAI GOLDEN UNION BUSINESS MANAGEMENT (Rmb828m), ATA ONLINE (BEIJING) EDUCATION TECHNOLOGY (Rmb747.9m), AEROSPACE PRECISION PRODUCTS (Rmb690m), KUNSHANG HUGUANG AUTO HARNESS (Rmb674.9m), HUBEI HARVIN (GROUP) CHEMICAL (Rmb1.7bn), SHANGHAI HUAFON ALUMINIUM (Rmb1.1bn) and SHANDONG IMEGAWARE NETWORK TECHNOLOGY (Rmb438.6m).

INDIA

EMBASSY REIT GETS SEBI OK

EMBASSY OFFICE PARKS REIT has been approved by the Securities and Exchange Board of India for an IPO of up to Rs60bn (US$862m) and is targeting a launch in the first quarter, people with knowledge of the transaction said.

The IPO will include a primary share component of Rs53bn and an undisclosed secondary share tranche, according to the draft prospectus filed in September.

If it goes through, the deal will be India's first REIT IPO since the relevant regulations were put in place in 2014.

US-based Blackstone Group and Indian real estate developer Embassy Group are the sponsors of the REIT. The REIT will comprise 11 office assets in the cities of Bengaluru, Mumbai, Noida and Pune.

The prospectus does not indicate the yield, but it cites industry data indicating that office assets in India have operating income yields in the 7.5%-8.5% range.

The overall rate of return for investors is likely to be in the 14%-15% range.

Morgan Stanley, *Bank of America Merrill Lynch*, *JP Morgan* and *Kotak* are joint global coordinators and bookrunners with *Axis*, *Credit Suisse*, *Deutsche Bank*, *Goldman Sachs*, *HSBC*, *IIFL*, *JM Financial* and *Nomura*.

Blackstone owns a 55% stake in Refinitiv, which includes IFR.

JK CEMENT SHARE SALE RAISES RS5bn

JK CEMENT has raised Rs5bn (US$71m) through a qualified institutional placement priced at Rs695.80.

The transaction comprised a base deal of Rs4bn with an upsizing option of Rs2bn, which was only partly exercised.

The final price translates into a 4.6% discount to the pre-deal close of Rs729 on December 24.

Fewer than 10 accounts participated in the transaction and the majority of them were local.

Edelweiss was the sole bookrunner.

ANAND RATHI WEALTH DROPS IPO

ANAND RATHI WEALTH SERVICES has dropped its Rs4.25bn (US$61m) IPO because of a delay in obtaining regulatory approval due to a group company facing an investigation, people with knowledge of the transaction said.

The wealth management arm of financial services group Anand Rathi said in a statement that it had withdrawn the IPO prospectus as market conditions were not favourable. The company, which had aimed to complete the IPO by March 31 2019, is looking at raising funds from private equity.

The Securities and Exchange Board of India delayed approval of the IPO as Anand Rathi Commodities is one of the brokerages being probed in the wake of the National Spot Exchange (NSEL) default.

ARWS had flagged the issue in its draft prospectus.

"Anand Rathi Commodities, one of our group companies, is involved in a proceeding with Sebi. Any adverse outcome in the matter would have an adverse effect on the brand and reputation of the Anand Rathi Group, which could have an adverse impact on our business, financial condition and results of operations," it wrote in the prospectus.

The Anand Rathi Group provides investment banking, broking, wealth management and corporate finance services.

The ARWS IPO comprised a secondary component of Rs3bn and a primary component of Rs1.25bn.

Market conditions have been unfavourable for finance companies to raise public funds since the default by Infrastructure Leasing and Financial Services.

Equirus Capital and *Jefferies India* were due to be the bookrunners on the IPO.

SIX PRIVATISATION IPOs PLANNED

The government plans to launch IPOs for another six state-owned companies as it continues its privatisation programme.

It plans to sell shares in TELECOMMUNICATION CONSULTANTS INDIA, RAILTEL CORPORATION INDIA, NATIONAL SEED CORPORATION INDIA, TEHRI HYDRO DEVELOPMENT, WATER & POWER CONSULTANCY SERVICES INDIA and FCI ARAVALI GYPSUM AND MINERALS INDIA.

The Cabinet Committee on Economic Affairs also said Kudremukh Iron Ore would launch a follow-on offer.

CCEA did not indicate when the share sales would happen or give their approximate values.

The government has been selling shares in state-owned companies to unlock value and improve transparency. Hindustan Aeronautics, Mishra Dhatu Nigam, Bharat Dynamics, Garden Reach Shipbuilders and Engineers, Ircon, Rail Vikas Nigam and Rites were among the state-owned companies that launched IPOs last year.

INDONESIA

BSM TARGETS IPO THIS YEAR

BANK SYARIAH MANDIRI is targeting an IPO of at least Rp2trn (US$138m) later this year, people with knowledge of the transaction said.

The Islamic banking unit of Bank Mandiri is targeting a market capitalisation of up to Rp20trn, and the minimum 10% free-float required under local rules would translate into an IPO of Rp2trn.

BSM director Ade Cahya Nugroho said earlier that the bank was planning an IPO in late 2019 or 2020, according to Reuters. The official did not provide details on the size of the float. BSM is the largest sharia lender by assets in Indonesia.

Other listed sharia banks in Indonesia are Bank BRI Syariah, which has a market capitalisation of Rp5trn, and Bank Tabungan Pensiunan (Rp14trn).

MALAYSIA

MR DIY PLANS IPO PROJECT

Home improvement retailer MR DIY is planning an IPO of at least US$500m later this year, a person with knowledge of the transaction said.

Mr DIY is backed by private equity firm Creador and has more than 500 outlets in Malaysia as well as stores in Thailand, Brunei and Indonesia. The Malaysian assets are likely to be part of the Bursa Malaysia IPO.

CIMB, *Credit Suisse*, *JP Morgan*, *Maybank* and *RHB* are close to the transaction, though a formal mandate has not yet been awarded.

Food operator QSR Brands and poultry firm Leong Hup are also planning respective IPOs of US$500m and USS$600m in the first quarter.

PHILIPPINES

PSE PROJECTS RISE IN SHARE ISSUES

The PHILIPPINE STOCK EXCHANGE has projected that share sales by companies this year could fetch up to Ps200bn (US$3.6bn), compared with Ps188bn in 2018.

The projected share sales include IPOs, follow-on offerings and rights issues.

PSE said equity raising in 2018 was up 13% from Ps167bn in 2017, but lower than the original projection of Ps200bn.

San Miguel Food and Beverage's Ps34bn follow-on offer was the country's largest deal last year outside of rights offerings. DM Wenceslao launched the only IPO of the year, raising Ps8.1bn.

Del Monte Philippines, AirAsia and Cal-Comp Technology Philippines dropped their share sale plans last year because of weak market conditions. They are likely to relaunch the issues in 2019.

SOUTH KOREA

HYUNDAI OILBANK TO LIST IN 2019

South Korea's HYUNDAI OILBANK will list in 2019, having failed to meet the original target of 2018, affiliate Hyundai Heavy Industries said on December 28.

IFR reported in October that Hyundai Oilbank, South Korea's smallest refiner by capacity, was likely to push back its IPO to March 2019.

The refiner has passed a preliminary IPO review by the Korean Exchange and is awaiting approval from the Financial Services Commission.

IFR reported earlier that Hyundai Oilbank planned to raise at least US$1bn from the IPO. The size of the deal could now be 20%–30% less because of market volatility, according to a person close to the deal.

The company has a 390,000-barrels-per-day refinery in Daesan, south-west of Seoul.

Hyundai Robotics, the holding company of Hyundai Heavy Industries Group, holds a 91% stake in Hyundai Oilbank.

Hana Daetoo Securities and *NH Investment & Securities* are leading the float. The other joint lead managers are *Bank of America Merrill Lynch*, *Citigroup*, *Shinhan* and *MiraeAsset Daewoo Securities*.

THAILAND

KERRY LOGISTICS PLANS THAI ASSETS IPO

KERRY LOGISTICS NETWORK is planning a US$100m–$300m IPO of Thai assets later this year, people with knowledge of the transaction said.

The company is in the process of hiring banks for the transaction. The shares will be listed on the Stock Exchange of Thailand.

Hong Kong-listed KLN is backed by Malaysian businessman Robert Kuok.

Its Thai businesses include Kerry Express, one of the largest express delivery operators in the country, and Kerry Siam Seaport, a deep sea port. It is not clear at this stage which assets will be part of the IPO.

At the time of writing, Kerry Logistics had not responded to an email seeking comment on the IPO.

EUROPE/MIDDLE EAST/AFRICA

ITALY

TRINITY TAKES BULK OF BANCA INTERMOBILIARE FUNDRAISING

BANCA INTERMOBILIARE reported 79.1% take-up for its €91m rights issue in December, receiving acceptances for 433.4m shares out of 547.7m offered on a 183-for-50 basis at €0.166 per share.

A rump of 114.2m shares were offered December 19-21 and December 27-28, with just 10.68m sold but the rights not exercised.

As a result, major shareholder Trinity, with a 70.62% pre-money stake, acquired the rump, taking its post-money stake to 89.26%.

Trinity paid €91m upfront in two payments in August and September, with the expectation that any amount subscribed by shareholders and new investors in the rights issue would be refunded to Trinity.

The fundraising was aimed at strengthening the bank's capital position, and comes along with the recent sale of a portfolio of impaired loans and a real estate portfolio.

NIGERIA

LAFARGE AFRICA SETS DATE FOR RIGHTS ISSUE

Cement producer **LAFARGE AFRICA** has set a date for its N89.21bn (US$245.6m) rights issue.

The offer runs from December 17 until January 23.

Pricing is N12 per share on a 6-for-7 basis, a 10.45% discount to the December 3 close of N13.40.

Lafarge first mooted the capital increase in July 2018.

OMAN

BANK DHOFAR RAISES OR55m IN RIGHTS ISSUE

BANK DHOFAR received approval from the country's capital market authority for allotments on its OR55m (US$142.9m) rights issue in December.

Applications were received totalling OR61.2m, and refunds are currently being processed.

The bank will use the cash to increase its Tier 1 equity capital, strengthen its balance sheet and support future growth.

A total of 361.8m shares were sold at OR0.152 each, coming at an 11.1% discount to the market price as of 31 May 2018, and a 24.8% discount to the average closing price for the six months leading up to that date.

It ran on a 14.84-for-100 basis. The subscription period ended on December 4.

Bank Dhofar is a major Omani commercial bank, estimating its market share at the end of 2017 at 14.2% for customer deposits and 13.8% for loans.

Its largest shareholder pre-money was Dhofar International Development & Investment Holding, with 28% of company, and the country's Civil Service Pension Fund with 10%.

SPAIN

REALIA RAISES €149m IN RIGHTS ISSUE WITH 99.6% TAKE-UP

Real estate group **REALIA** raised €149.1m in a rights issue in December.

It reported a take-up of 99.6%, after 174.7m of the new shares on offer were subscribed.

Shares were priced at €0.85 each, and the rights issue ran on a three-for-11 basis.

The capital increase was aimed at reducing debt and financing the development of Realia's real estate business.

SOLARPACK FULLY EXERCISES GREENSHOE

Solar power station business **SOLARPACK CORPORACION TECNOLOGIC** fully exerised the 10% greenshoe for its December Madrid IPO, raising the deal size to €110m and the free-float to 39.9% from 37.6%.

The 1.2m greenshoe was handled by stabilisation manager *Societe Generale*, which was joint global coordinator alongside *CaixaBank*, with both as joint bookrunners with *JB Capital*. *Greentech Capital Advisors* advised.

The greenshoe increases the free-float to 39.9% from 37.6%.

Solarpack completed its all-primary IPO in early December, with shares debuting on December 5 up 10.1%.

UAE

UAE'S UTICO PLANS IPO

United Arab Emirates' utility Utico Middle East has hired Emirates NBD Capital for a potential share sale and public listing, the company said on December 18.

Utico, the only privately-owned utility in the UAE, also said a trans-emirate water pipeline built at a cost of US$100m was now operational.

Demand for water and power in the UAE is expected to grow by 5%–6% annually in

EMEA EQUITIES
BOOKRUNNERS: 1/1/2018–31/12/2018

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	JP Morgan	63	14,163.40	9.7
2	Goldman Sachs	62	12,514.75	8.6
3	Morgan Stanley	54	8,495.18	5.8
4	Citigroup	49	8,033.69	5.5
5	Credit Suisse	39	6,911.01	4.7
6	BAML	34	6,489.69	4.4
7	UBS	34	6,405.30	4.4
8	Deutsche Bank	39	6,026.85	4.1
9	Barclays	38	4,719.11	3.2
10	Investec	25	3,692.93	2.5
	Total	**952**	**146,181.47**	

Including all domestic and international deals and rights issues

Source: Refinitiv SDC code: C4cr

EMEA IPOs
BOOKRUNNERS: 1/1/2018–31/12/2018

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	JP Morgan	21	3,763.58	8.4
2	Citigroup	23	3,084.58	6.9
3	Deutsche Bank	15	2,880.93	6.4
4	Morgan Stanley	18	2,800.10	6.2
5	Goldman Sachs	17	2,568.72	5.7
6	UBS	9	2,367.48	5.3
7	BAML	12	2,125.13	4.7
8	Berenberg Bank	12	1,980.22	4.4
9	Credit Suisse	16	1,845.73	4.1
10	BNP Paribas	8	1,538.64	3.4
	Total	**191**	**44,834.12**	

Including all domestic and international deals

Source: Refinitiv SDC code: C7c

EMEA RIGHTS ISSUE UNDERWRITING
BOOKRUNNERS: 1/1/2018–31/12/2018

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	JP Morgan	10	2,504.73	9.2
2	Barclays	8	1,914.86	7.0
3	HSBC	8	1,875.15	6.9
4	Goldman Sachs	5	1,508.56	5.5
5	Citigroup	5	1,103.38	4.0
6	Investec	2	946.31	3.5
7	BAML	5	895.39	3.3
8	Santander	7	890.11	3.3
9	EFG Hermes	1	865.58	3.2
10	Credit Agricole	3	763.80	2.8
	Total	**122**	**27,308.97**	

Source: Refinitiv SDC code: C8fr

EMEA COMMON STOCK ISSUER LEGAL ADVISERS
1/1/2018–31/12/2018

	Legal adviser	No of issues	Total US$(m)	Share (%)
1	Sullivan & Cromwell	6	9,043.5	6.2
2	Latham & Watkins	9	8,631.7	5.9
3	Freshfields Bruckhaus Deringer	11	5,069.2	3.5
4	Linklaters	11	4,986.9	3.4
5	Hengeler Mueller	2	4,457.9	3.1
6	Cravath, Swaine & Moore	1	4,432.3	3.0
7	White & Case	17	4,196.9	2.9
8	Slaughter and May	7	3,754.6	2.6
9	Clifford Chance	8	3,491.8	2.4
10	Bar & Karrer	5	2,974.8	2.0
	Total	**959**	**146,354.0**	

Including all domestic and international deals and rights issues

Source: Refinitiv SDC code: AX3

EMEA COMMON STOCK MANAGER LEGAL ADVISERS
1/1/2018–31/12/2018

	Legal adviser	No of issues	Total US$(m)	Share (%)
1	Freshfields Bruckhaus Deringer	8	9,531.3	6.5
2	Sullivan & Cromwell	7	8,326.6	5.7
3	Linklaters	25	7,429.7	5.1
4	White & Case	29	7,220.2	4.9
5	Latham & Watkins	16	5,161.3	3.5
6	Allen & Overy	13	3,452.1	2.4
7	Herbert Smith Freehills	6	2,674.0	1.8
8	Shearman & Sterling	4	2,615.6	1.8
9	Davis Polk & Wardwell	10	2,251.5	1.5
10	Clifford Chance	5	1,662.4	1.1
	Total	**959**	**146,354.0**	

Including all domestic and international deals and rights issues

Source: Refinitiv SDC code: AX4

Watch and wait for European ECM

EUROPE Appetite is thin and valuation sensitive across the region

"Everyone is telling us that if the market stays as it is currently, they wouldn't look at a deal unless it was something exceptional," said one seasoned ECM professional.

At present, that lack of demand is not an issue with the expectation that IPOs will be thin on the ground in the first quarter, not itself unusual in Europe with many issuers preferring to launch with full-year numbers instead of last year's Q3 data. Third-quarter data go stale on February 11.

A head of syndicate at a US bank said that his firm is focused much more this year on larger deals, those of US$500m and above, with the expectation that, outside of small regional deals, trades below that sizing will be likely to struggle.

More than ever, sensible valuations will be key. "Funds active in IPOs do not trust the banks' behaviour from last year, so driving up valuations and leaving natural buyers behind must not be repeated," said the ECM veteran. "One of the challenges of 2019 is to reassure everyone that there is synchronisation between long demand and the amount of hedge money that is available."

A number of IPO names have been kicking around for a while, including some that were pushed back from last year. The potential pipeline includes KKR's Trainline, Rocket Internet-owned Global Fashion Group, France's national lottery group Francaise des Jeux, Belgian bank Belfius, Italian payments group SIA, private equity-owned lingerie chain Hunkemoller, German print firm Onlineprinters, Spanish bank Ibercaja, and the trucks units of Daimler and Volkswagen as well as Volvo Cars. Bankers also mentioned long-term names such as O2 and Odeon in the UK.

Swiss healthcare group Medacta is expected to be one of the earlier floats of the year, targeting a US$2.5bn valuation, with a deal size in the region of US$700m–$800m. Trainline could also be one of the earlier floats, although Brexit will impact on scheduling for any UK deals in the first half.

"Absent some kind of resolution on Brexit, the UK is going to be a very difficult market to get an IPO away as there is too much that investors don't know," said the ECM professional. "Foreign capital is completely dodging the UK market as it is seen as uninvestible currently." He added that US interest in European stocks has been limited for some time.

The next two weeks will be dominated by the UK parliament voting on Theresa May's Brexit deal and the fallout from that vote will probably extend uncertainty for any UK ECM activity, including accelerated deals.

"Everyone needs to be flexible and much more reactive than they have been in the past, target a launch and work towards that but with the knowledge that dates might get pushed back," said a third ECM banker.

The third banker said that there was a large backlog of secondary issuance that has been waiting to launch and that will continue to be dependent on whether sellers are willing to take discounts below IPO pricings or previous selldowns.

Names such as RBS and ABN AMRO were mentioned, with the banker adding that "appetite for small trades and low liquidity names is reduced with demand only from long-only names, but then, at the back end of last year there was no desire for volume trades either. At the moment, there is no demand for anything small or large as the outlook is so muddled, but hopefully that will become clearer as we progress through January".

Two of the bankers said that, as with 2018, they do not expect many US$1bn-plus accelerated deals in 2019.

The key theme will be executing in small windows as soon as one comes along, said the second banker.

Robert Venes

the next few years as the population grows and industrialisation spreads, according to estimates by state-owned utilities.

"We are looking at a public listing in the near future," said Richard Menezes, chief executive of Utico.

No further details about the listing or valuation were provided.

Utico's water pipeline connects the northern emirates of Sharjah, Ras al Khaimah, Ajman and Umm al Quwain, and has a peak carrying capacity of 50m gallons per day.

Utico, which is among bidders for the Taweelah independent water project in Abu Dhabi, owns more than 76m imperial gallons per day (MIGD) of desalination capacity, of which 40 MIGD is under construction and is due for commissioning in early 2020.

The utility counts some Gulf sovereign funds among its investors and Spain's Groupo Cobra partnered with the company for a US$200m independent water project in Ras al Khaimah.

UK

GRAINGER RIGHTS ISSUE RAISES £346.7m

Residential property investor GRAINGER raised £346.7m in a fully underwritten rights issue in December, reporting a 96% take-up on the new shares.

A total of 194.8m new shares were issued at 178p each, on a 7-for-15 basis. It increases Grainger's share capital by around 47%.

Pricing came at a 30% discount to TERP based on November 13 close of 291p per share.

Shareholders subscribed to 186.9m new shares, and the remaining rump of 7.9m shares was sold in a rump placing at 210p a share following the results.

JP Morgan and *Numis* underwrote and ran the deal.

The capital increase is intended to part-fund the company's £396m buy-out of the remaining 75% stake in its joint venture GRIP REIT, which it owns with APG.

Separately the company said it had agreed to acquire a 373-home development at Exchange Square in Birmingham for £77m.

S4 CAPITAL GETS 58.05% OPEN OFFER ACCEPTANCES

Digital ad company S4 CAPITAL reported a 58.05% take-up of its open offer, part of a placing to raise £74m.

Headed up by British advertising veteran Martin Sorrell, S4 Capital launched the firm placing, placing and open offer in early December alongside its announcement of a merger with MightyHive.

Around 42m shares were offered to shareholders in the open offer, from a total of 67.3m in the whole placing.

Shares were issued at a price of 110p each, representing a 4% discount to the December 3 close. Current shareholders were able to subscribe for one new share for every 6.123555 shares they own.

HSBC and *Dowgate* were joint bookrunners.

ALL FRENCH EQUITIES
BOOKRUNNERS: 1/1/2018–31/12/2018

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Goldman Sachs	6	2,127.53	25.5
2	SG	19	1,946.65	23.3
3	Credit Agricole	4	912.02	10.9
4	Morgan Stanley	3	828.16	9.9
5	JP Morgan	3	781.40	9.4
6	BNP Paribas	3	530.49	6.4
7	Oddo BHF	7	270.76	3.2
8	Natixis	11	268.62	3.2
9	Barclays	3	217.38	2.6
10	Midcap Partners	6	121.67	1.5
	Total	**61**	**8,351.32**	

Including all domestic and international deals and rights issues

Source: Refinitiv SDC code: C4c2r

ALL GERMAN EQUITIES
BOOKRUNNERS: 1/1/2018–31/12/2018

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	JP Morgan	10	4,037.94	12.6
2	Deutsche Bank	11	2,930.35	9.1
3	Goldman Sachs	8	2,742.89	8.6
4	BAML	3	2,392.05	7.5
5	Berenberg Bank	19	2,301.31	7.2
6	UBS	7	2,089.87	6.5
7	Citigroup	11	1,921.36	6.0
8	Credit Suisse	5	1,822.97	5.7
9	UniCredit	6	1,611.90	5.0
10	BNP Paribas	5	1,395.69	4.4
	Total	**71**	**32,068.79**	

Including all domestic and international deals and rights issues

Source: Refinitiv SDC code: C4c3r

ALL ITALIAN EQUITIES
BOOKRUNNERS: 1/1/2018–31/12/2018

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Mediobanca	8	773.99	18.8
2	Goldman Sachs	4	621.91	15.1
3	Banca IMI	4	339.20	8.3
4	Equita SIM	4	319.16	7.8
5	BAML	2	291.54	7.1
6	UniCredit	4	269.84	6.6
7	BNP Paribas	2	245.48	6.0
8	Banca Akros	2	156.49	3.8
9	Morgan Stanley	3	148.30	3.6
10	Citigroup	2	132.18	3.2
	Total	**31**	**4,110.85**	

Including all domestic and international deals and rights issues

Source: Refinitiv SDC code: C4c5r

ALL NORDIC EQUITIES
BOOKRUNNERS: 1/1/2018–31/12/2018

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Carnegie	33	1,877.70	12.5
2	SEB	15	1,474.92	9.8
3	Nordea	16	1,281.61	8.5
4	Citigroup	6	1,221.17	8.1
5	Danske Bank	16	1,195.53	7.9
6	Credit Suisse	2	1,101.35	7.3
7	Sundal Collier	19	763.27	5.1
8	DNB	24	734.47	4.9
9	Morgan Stanley	6	704.10	4.7
10	Arctic Securities	15	622.06	4.1
	Total	**130**	**15,056.34**	

Including all domestic and international deals and rights issues

Source: Refinitiv SDC code: C4c7r

ALL SPANISH EQUITIES
BOOKRUNNERS: 1/1/2018–31/12/2018

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Morgan Stanley	5	546.90	12.6
2	Citigroup	4	539.78	12.5
3	UBS	1	411.17	9.5
4	Deutsche Bank	3	316.77	7.3
5	Barclays	3	288.45	6.7
6	SG	4	269.44	6.2
7	JP Morgan	3	250.89	5.8
8	Goldman Sachs	3	250.24	5.8
9	Mediobanca	1	249.87	5.8
10	Santander	4	249.36	5.8
	Total	**27**	**4,326.79**	

Including all domestic and international deals and rights issues

Source: Refinitiv SDC code: C4c4r

ALL UK EQUITIES
BOOKRUNNERS: 1/1/2018–31/12/2018

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Goldman Sachs	20	3,959.71	9.9
2	JP Morgan	21	3,893.86	9.7
3	Barclays	21	3,099.40	7.7
4	Investec	18	2,890.87	7.2
5	Numis	41	2,687.57	6.7
6	Citigroup	11	2,139.26	5.3
7	BAML	12	1,875.68	4.7
8	HSBC	9	1,810.32	4.5
9	Morgan Stanley	8	1,547.82	3.9
10	Jefferies	15	1,478.15	3.7
	Total	**355**	**40,130.59**	

Including all domestic and international deals and rights issues

Source: Refinitiv SDC code: C4c1r

AMERICAS

UNITED STATES

MARKET WOES PROMISE SLOW START FOR US ECM

Hopes of a quick resumption of US ECM activity in 2019 have been frustrated by a further deterioration in market conditions, casting doubt over the January IPO pipeline.

Bankers expect follow-on offerings to emerge in the coming weeks as investors and bankers trek back from the holiday break, but whether issuers are brave enough to embark on a full IPO roadshow in these conditions remains less clear.

Between IPOs held over from late 2018 and recent filers there are about 10 companies that would otherwise be eyeing a January debut.

In the first camp are Virgins Trains USA, Beyond Meat and Revolve and in the latter Chinese brokerage Futu and a string of biotechs.

Adding to the IPO market's troubles is the government shutdown, which has left the SEC with a skeletal staff and unable to declare IPO filings effective for the duration.

This likely precludes any IPOs from launching until the shutdown is over though bankers say the point is moot given the poor performance of recent large IPOs (Moderna, Tencent Music Entertainment) and market volatility.

Typically no IPO of size is launched in a market with a mid-20s VIX, around the level that has prevailed in the first few days of 2019.

Follow-ons that do not require an SEC tick should start to emerge from Monday, though they may be confined to serial issuers such as biotechs and defensive sectors such as REITs, mortgage REITs and utilities, the latter group having fared better than the market during recent months.

BIOTECHS REGROUP AT JP MORGAN CONFERENCE

The JP Morgan Healthcare Conference in San Francisco will be an opportunity for the US biotech industry to regroup after a brutal fourth quarter.

Now in its 37th year, "JPM19" conference opens on Monday at the Westin St. Francis Hotel in San Francisco and closes on Thursday. The four-day event features investor presentations by more than 450 public and private companies with more than 9,000 expected to attend.

The mood is far more dour than last year. Biotech stocks are off nearly 20% from their highs in August, as measured by the Nasdaq Biotechnology Index, and new issues that priced late in the year have performed poorly. MODERNA, a much-hyped biotech unicorn, in particular has hung investors with some US$125m of paper losses since its December debut.

"With a large backlog of potential 2019 biotech IPOs, all eyes at JPM19 will be on the institutional investor community and whether any of them will step up as anchor orders in these early offerings," wrote Bruce Booth, a partner at lifescience-focused VC Atlas Venture, in a blog post.

GOSSAMER BIO, a San Diego-based clinical-stage biotech focused on immunology, inflammation and oncology, made clear its intentions by filing documents in December for an up to US$264.5m Nasdaq IPO.

Bank of America Merrill Lynch, *Leerink Partners*, *Barclays* and *Evercore ISI* conceivably could launch bookbuilding on Monday, though the US government shutdown may have stunted the timetable.

Regardless, Gossamer has already raised US$340m through two private financing rounds last year, including a US$230m crossover round in July.

The crossover round left Gossamer with US$256.4m of cash at September 30.

Equally impressive was a roster of new investors that participated, including Abu Dhabi Investment Authority, Hillhouse Capital Management and Baupost. They were joint by existing venture-backers Arch Venture Partners and Omega Funds.

Faheem Hasnain and Sheila Gujrathi, the former CEO and COO of Receptos, co-founded Gossamer after they sold Receptos to Celgene for US$7.2bn in 2015.

Gossamer's most advanced product candidate is a treatment for a severe form of asthma that is currently in Phase IIb trials. The IPO would allow it to fund that trial as well as trials on two other earlier stage drugs.

HARPOON, TCR2 TOUT T-CELL PROGRAMMES ON IPOs

Public investors will soon get a chance to fund development of a new class of T-cells used to treat specific forms of cancer.

HARPOON THERAPEUTICS and **TCR2 THERAPEUTICS** filed documents late last year to undertake IPOs, tentatively sized at US$86.25m and US$100m, respectively.

Harpoon's IPO filing came just weeks after it landed US$70m from a private round that enticed crossover investors OrbiMed and Cormorant Asset Management. Existing backers New Leaf Investors, MPM and UBS's Oncology Impact Fund also participated in the November private round.

Citigroup and *Leerink Partners* were mandated as joint bookrunners on the IPO.

Harpoon plans to use proceeds to fund a Phase I trial on a T-cell therapy for prostate cancer and initiate a separate Phase I trial for ovarian cancer. It expects to report preliminary data on the prostate trial in the first half of 2019.

TCR2 Therapeutics is also looking to its IPO to fund a Phase I/II clinical trial on T-cells for patients with mesothelin-positive solid tumours expressed in many forms of cancer, including ovarian.

T-cells are proteins that harness the power of the body's immune system to attack cancer.

Jefferies, *Leerink Partners* and *BMO Capital Markets* are joint bookrunners on TCR2's IPO.

US EQUITIES
BOOKRUNNERS: 1/1/2018–31/12/2018

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Morgan Stanley	153	23,285.21	13.6
2	Goldman Sachs	140	21,263.68	12.4
3	JP Morgan	176	19,210.41	11.2
4	Citigroup	125	15,623.33	9.1
5	BAML	134	13,118.05	7.6
6	Barclays	86	11,701.31	6.8
7	Credit Suisse	85	8,187.25	4.8
8	Wells Fargo	76	7,553.25	4.4
9	Jefferies	104	6,005.21	3.5
10	RBC	68	5,739.41	3.3
	Total	**785**	**171,570.14**	

Including all domestic and international deals and rights issues

Source: Refinitiv SDC code: C3r

US IPOs
BOOKRUNNERS: 1/1/2018–31/12/2018

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	BAML	50	3,902.51	11.4
2	Goldman Sachs	42	3,301.33	9.7
3	JP Morgan	44	3,296.13	9.6
4	Morgan Stanley	41	3,219.69	9.4
5	Citigroup	28	2,310.10	6.8
6	Credit Suisse	23	1,992.90	5.8
7	Barclays	24	1,835.68	5.4
8	RBC	18	1,568.15	4.6
9	Deutsche Bank	14	1,404.36	4.1
10	Jefferies	27	1,198.64	3.5
	Total	**155**	**34,159.22**	

Including all domestic and international deals and rights issues

Source: Refinitiv SDC code: C6

LATIN AMERICA EQUITY, EQUITY-RELATED
BOOKRUNNERS: 1/1/2018–31/12/2018

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Goldman Sachs	10	2,420.5	14.4
2	BAML	10	1,973.8	11.7
3	BTG Pactual	12	1,819.4	10.8
4	Morgan Stanley	10	1,666.3	9.9
5	JP Morgan	10	1,640.0	9.7
6	Citigroup	8	950.7	5.6
7	Credit Suisse	5	930.8	5.5
8	Itau Unibanco	9	850.9	5.1
9	Bradesco	8	775.9	4.6
10	Bancolombia	1	521.9	3.1
	Total	**35**	**16,855.4**	

Including all domestic and international deals and rights issues

Source: Refinitiv SDC code:C1f

US SECONDARY OFFERINGS
BOOKRUNNERS: 1/1/2018–31/12/2018

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Morgan Stanley	112	20,065.53	14.6
2	Goldman Sachs	98	17,962.35	13.1
3	JP Morgan	132	15,914.28	11.6
4	Citigroup	97	13,313.22	9.7
5	Barclays	62	9,865.63	7.2
6	BAML	84	9,215.54	6.7
7	Wells Fargo	60	6,764.63	4.9
8	Credit Suisse	62	6,194.34	4.5
9	Jefferies	77	4,806.57	3.5
10	RBC	50	4,171.26	3.0
	Total	**630**	**137,410.92**	

Including all domestic and international deals and rights issues

Source: Refinitiv SDC code: C8ar

EQUITY-LINKED DEALS WEEK ENDING: 4/1/2019

Issuer	Country	Date	Amount	Greenshoe	Tenor	Coupon (%)	Premium (%)	Bookrunner(s)
Benefitfocus	US	19/12/2018	US$200.0m	US$40.0m	5y	1.25	30.0	JP Morgan, Morgan Stanley

ECM DEALS: WEEK ENDING 4/1/2019

Stock	Country	Date	Amount	Price	Deal type	Bookrunner(s)
Shanghai Junshi Biosciences	China	24/12/18	HK$3.08bn	HK$19.38	IPO (Primary)	CICC
Wanka Online	China	14/12/18	HK$272m	HK$3.56	IPO (Primary)	CICC, ICBC International, Macquarie
Zhejiang Cangnan Instrument Group	China	14/12/18	HK$268.6m	HK$15.80	IPO (Primary)	ABC International
Weigang Environment Technology	China	27/12/18	HK$275m	HK$0.88	IPO (Primary)	BOC International
JK Cement	India	24/12/18	Rs5bn	Rs695.80	Follow-on (Primary)	Edelweiss
Banca Intermobiliare	Italy	17/12/2018	€91m	€0.17	Rights issue	–
S4 Capital	UK	18/12/2018	£74m	110p	Follow-on (Primary)	HSBC, Dowgate
Kier Group	UK	17/12/2018	£264m	409p	Rights issue	Numis, Peel Hunt, Citigroup, HSBC and Santander, Rothschild advising.
Mercantil Bank/Amerant	US	18/12/18	US$81.9m	US$13.00	IPO (Primary, Secondary)	Raymond James, KBW, Stephens
Globalstar	US	18/12/18	US$60.0m	US$0.35	Follow-on (Primary)	Cantor Fitzgerald

TCR2 raised US$125m in April through a private round that included participation from MPM BioVentures and UBS Oncology Impact Fund.

Last month TCR2 filed an investigational new drug application in December for its mesothelin-positive drug.

STRUCTURED EQUITY

UNITED STATES

BENEFITFOCUS PRICES LATE-YEAR US$200m CB

Benefits management software provider BENEFITFOCUS suffered a steep share price fall as it marketed a US$200m convertible bond financing just before Christmas.

JP Morgan and *Morgan Stanley* priced the five-year CB at a 1.25% coupon and 30% conversion premium, the investor-friendly ends of the 0.75%–1.25% and 30%–35% price talk, after marketing the CB across one session on Thursday, December 20.

Credit Suisse was a passive bookrunner.

Benefitfocus spent US$27.5m on a capped call to offset dilution to share prices above US$89.98, a 120% premium to reference, and another US$39.2m to repay borrowings on its bank facility.

The shares fell 18.2% to US$40.90 (the reference price) while the deal was marketed.

Benefitfocus management held an analyst day in New York on the Wednesday just ahead of the deal.

Benefitfocus was the latest in a flood of software companies to tap the CB market in 2018, though with technology valuations under pressure 2019 might not bring as many.

ALL INTERNATIONAL ASIAN CONVERTIBLES
BOOKRUNNERS: 1/1/2018–31/12/2018

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Goldman Sachs	7	3,257.54	20.2
2	JP Morgan	10	2,479.85	15.4
3	Nomura	13	1,816.47	11.3
4	Daiwa Securities	6	1,324.53	8.2
5	Credit Suisse	8	1,324.34	8.2
6	Morgan Stanley	9	1,292.78	8.0
7	Sumitomo Mitsui Finl	4	748.78	4.6
8	Citigroup	3	552.85	3.4
9	Mizuho	5	552.66	3.4
10	BNP Paribas	3	518.42	3.2
	Total	**52**	**16,135.61**	

Including exchangeables.

Source: Refinitiv SDC code: M10

ALL INTERNATIONAL ASIAN CONVERTIBLES (EXCLUDING JAPAN)
BOOKRUNNERS: 1/1/2018–31/12/2018

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Goldman Sachs	4	2,969.21	28.4
2	JP Morgan	8	2,345.27	22.4
3	Credit Suisse	8	1,324.34	12.7
4	Morgan Stanley	3	560.56	5.4
5	BNP Paribas	3	518.42	5.0
6	HSBC	3	439.81	4.2
7	China Merchants Secs	1	333.33	3.2
=7	Citic	1	333.33	3.2
9	Deutsche Bank	2	312.49	3.0
10	Citigroup	2	278.80	2.7
	Total	**29**	**10,449.09**	

Including exchangeables.

Source: Refinitiv SDC code: M11

EMEA CONVERTIBLE, LEGAL ADVISER TO ISSUER
1/1/2018–31/12/2018

	Legal adviser	No of issues	Total US$(m)	Share (%)
1	Latham & Watkins	2	2,033.0	16.0
2	Linklaters	4	1,746.3	13.7
3	Bar & Karrer	2	805.1	6.3
4	Hengeler Mueller	1	604.7	4.8
5	White & Case	1	600.0	4.7
6	Clifford Chance	1	500.0	3.9
7	Allen & Overy	1	450.0	3.5
8	Wachtell Lipton Rosen & Katz	1	402.5	3.2
9	Debevoise & Plimpton	1	250.0	2.0
10	NautaDutilh	1	245.3	1.9
	Total	**40**	**12,727.0**	

Including exchangeables and domestic.

Source: Refinitiv SDC code: AX7

EMEA CONVERTIBLE, LEGAL ADVISER TO MANAGER
1/1/2018–31/12/2018

	Legal adviser	No of issues	Total US$(m)	Share (%)
1	Linklaters	8	2,459.5	19.3
2	Homburger	1	1,648.0	13.0
3	Freshfields Bruckhaus Deringer	1	739.0	5.8
4	Simmons & Simmons	2	699.3	5.5
5	White & Case	4	523.3	4.1
6	Davis Polk & Wardwell	2	510.0	4.0
7	Allen & Overy	1	500.0	3.9
8	Cahill Gordon & Reindel	1	402.5	3.2
=8	Cleary Gottlieb Steen & Hamilton	1	402.5	3.2
10	Latham & Watkins	1	330.0	2.6
	Total	**40**	**12,727.0**	

Including exchangeables and domestic.

Source: Refinitiv SDC code: AX8

GLOBAL CONVERTIBLE OFFERINGS
BOOKRUNNERS: 1/1/2018–31/12/2018

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Goldman Sachs	60	12,559.35	13.3
2	JP Morgan	62	10,095.88	10.7
3	Morgan Stanley	53	8,651.25	9.2
4	BAML	42	7,594.41	8.1
5	Citigroup	30	4,530.85	4.8
6	Deutsche Bank	21	3,321.77	3.5
7	UBS	11	2,764.42	2.9
8	Credit Suisse	23	2,655.29	2.8
9	Barclays	18	2,520.94	2.7
10	Wells Fargo	16	2,032.77	2.2
	Total	**355**	**94,112.68**	

Including exchangeables and domestic offerings.

Source: Refinitiv SDC code: C9

GLOBAL CONVERTIBLE OFFERINGS – US
BOOKRUNNERS: 1/1/2018–31/12/2018

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Goldman Sachs	41	6,936.23	16.4
2	Morgan Stanley	40	6,808.97	16.1
3	BAML	35	6,674.11	15.8
4	JP Morgan	42	5,512.35	13.0
5	Citigroup	20	2,964.54	7.0
6	Wells Fargo	16	2,032.77	4.8
7	Barclays	13	2,023.49	4.8
8	Deutsche Bank	10	1,250.83	3.0
9	Jefferies	11	1,091.37	2.6
10	Credit Suisse	12	1,062.37	2.5
	Total	**114**	**42,279.66**	

Source: Refinitiv SDC code: C9a

GLOBAL CONVERTIBLE OFFERINGS – EMEA
BOOKRUNNERS: 1/1/2018–31/12/2018

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	UBS	4	2,046.90	16.1
2	Deutsche Bank	8	1,486.71	11.7
3	JP Morgan	7	1,352.68	10.6
4	SG	8	1,107.61	8.7
5	Goldman Sachs	7	929.92	7.3
6	Citigroup	6	913.46	7.2
7	BNP Paribas	7	744.03	5.9
8	HSBC	7	704.70	5.5
9	BAML	5	606.69	4.8
10	Barclays	5	497.45	3.9
	Total	**39**	**12,712.95**	

Including exchangeables.

Source: Refinitiv SDC code: C09d

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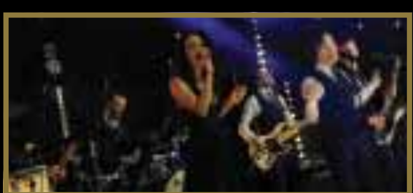

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